



Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company  
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 30, 2018, 24,194,353 shares of the registrant’s common stock were outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****GEVO, INC.****Consolidated Balance Sheets****(in thousands, except share and per share amounts)**

|   | <b>(unaudited)</b> |                 |
|---|--------------------|-----------------|
|   | <b>March 31,</b>   | <b>December</b> |
|   | <b>2018</b>        | <b>31,</b>      |
|   |                    | <b>2017</b>     |
| <b>Assets</b>                             |                    |                 |
| Current assets:                           |                    |                 |
| Cash and cash equivalents                 | \$ 7,029           | \$ 11,553       |
| Accounts receivable                       | 1,288              | 1,054           |
| Inventories                               | 4,356              | 4,362           |
| Prepaid expenses and other current assets | 633                | 712             |
| Total current assets                      | 13,306             | 17,681          |
| Property, plant and equipment, net        | 68,764             | 70,369          |
| Deposits and other assets                 | 803                | 803             |
| Total assets                              | \$ 82,873          | \$ 88,853       |
| <b>Liabilities</b>                        |                    |                 |
| Current liabilities:                      |                    |                 |
| Accounts payable and accrued liabilities  | \$ 3,467           | \$ 4,011        |
| 2020 Notes embedded derivative liability  | 2,366              | 5,224           |
| Derivative warrant liability              | 1,474              | 1,951           |
| Total current liabilities                 | 7,307              | 11,186          |
| 2020 Notes, net                           | 13,893             | 13,491          |
| 2022 Notes, net                           | -                  | 515             |
| Other long-term liabilities               | 117                | 130             |
| Total liabilities                         | 21,317             | 25,322          |

## Commitments and Contingencies (see Note 11)

**Stockholders' Equity**

|  |            |           |
|--|------------|-----------|
| Common Stock, \$0.01 par value per share; 250,000,000 authorized, 22,696,112 and 21,811,059 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively. | 227        | 218       |
| Additional paid-in capital   | 465,181    | 464,663   |
| Accumulated deficit  | (403,852 ) | (401,350) |
| Total stockholders' equity   | 61,556     | 63,531    |
| Total liabilities and stockholders' equity   | \$ 82,873  | \$ 88,853 |

See the accompanying notes to unaudited consolidated financial statements.

Table of Contents**GEVO, INC.****Consolidated Statements of Operations****(in thousands, except share and per share amounts)****(unaudited)**

|  | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2018</b>                             | <b>2017</b> |
| <b>Revenue</b>   |   |             |
| Ethanol sales and related products, net                                  | \$8,218                                 | \$5,494     |
| Hydrocarbon revenue  | -                                       | 90          |
| Grant and other revenue  | 25                                      | 32          |
| Total revenues   | 8,243                                   | 5,616       |
| Cost of goods sold   | 10,583                                  | 9,408       |
| Gross loss   | (2,340)                                 | (3,792)     |
| <b>Operating expenses</b>  |   |             |
| Research and development expense   | 789                                     | 1,217       |
| Selling, general and administrative expense                              | 1,870                                   | 2,173       |
| Total operating expenses   | 2,659                                   | 3,390       |
| Loss from operations   | (4,999)                                 | (7,182)     |
| <b>Other (expense) income</b>  |   |             |
| Interest expense   | (825)                                   | (714)       |
| (Loss) on exchange of debt   | (21)                                    | (964)       |
| (Loss) from change in fair value of the 2017 Notes                       | -                                       | (339)       |
| Gain from change in fair value of derivative warrant liability           | 477                                     | 3,259       |
| Gain from change in fair value of 2020 Notes embedded derivative         | 2,858                                   | -           |
| Other income   | 8                                       | 6           |
| Total other expense, net   | 2,497                                   | 1,248       |
| Net loss   | \$(2,502)                               | \$(5,934)   |
| Net loss per share - basic and diluted                                   | \$(0.11)                                | \$(0.51)    |
| Weighted-average number of common shares outstanding - basic and diluted | 22,534,727                              | 11,584,595  |

See the accompanying notes to unaudited consolidated financial statements.



Table of Contents**GEVO, INC.****Consolidated Statements of Cash Flows****(in thousands)****(unaudited)**

|   | <b>Three Months<br/>Ended March 31,</b> |             |
|---|---|-------------|
|   | <b>2018</b>                             | <b>2017</b> |
| <b>Operating Activities</b>   |   |             |
| Net loss  | \$(2,502 )                              | \$(5,934 )  |
| Adjustments to reconcile net loss to net cash used in operating activities: |   |             |
| (Gain) from change in fair value of derivative warrant liability            | (477 )                                  | (3,226 )    |
| (Gain) from change in fair value of 2020 Notes embedded derivative          | (2,858 )                                | -           |
| Loss from the change in fair value of the 2017 Notes                        | —                                       | 339         |
| Loss on exchange of debt  | 21                                      | 964         |
| (Gain) on extinguishment of warrant liability                               | —                                       | (33 )       |
| Stock-based compensation  | 98                                      | 128         |
| Depreciation and amortization   | 1,646                                   | 1,676       |
| Non-cash interest expense   | 402                                     | 80          |
| Changes in operating assets and liabilities:                                |   |             |
| Accounts receivable   | (234 )                                  | (82 )       |
| Inventories   | 7                                       | (720 )      |
| Prepaid expenses and other current assets                                   | 78                                      | (11 )       |
| Accounts payable, accrued expenses, and long-term liabilities               | (531 )                                  | (1,228 )    |
| Net cash used in operating activities                                       | (4,350 )                                | (8,047 )    |
| <b>Investing Activities</b>   |   |             |
| Acquisitions of property, plant and equipment                               | (67 )                                   | (673 )      |
| Net cash used in investing activities                                       | (67 )                                   | (673 )      |
| <b>Financing Activities</b>   |   |             |
| Payments on secured debt  | —                                       | (9,616 )    |
| Debt and equity offering costs  | (164 )                                  | (205 )      |
| Proceeds from issuance of common stock and common stock warrants            | 57                                      | 11,044      |
| Proceeds from the exercise of warrants                                      | —                                       | 2           |
| Net cash (used in)/provided by financing activities                         | (107 )                                  | 1,225       |
| Net (decrease) in cash and cash equivalents                                 | (4,524 )                                | (7,495 )    |
| Cash, cash equivalents, and restricted cash<br>Beginning of period          | 11,553                                  | 30,499      |

|               |         |          |
|---------------|---------|----------|
| End of period | \$7,029 | \$23,004 |
|---------------|---------|----------|

See the accompanying notes to unaudited consolidated financial statements.

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**GEVO, INC.**

**Consolidated Statements of Cash Flows - Continued**

(in thousands)

(unaudited)

| <b>Supplemental disclosures of cash and non-cash investing and financing transactions</b> | <b>Three<br/>Months<br/>Ended<br/>March 31,<br/>2018 2017</b> |         |
|---|---|---------|
| Cash paid for interest, net of interest capitalized                                       | \$434   | \$1,616 |
| Non-cash purchase of property, plant and equipment  | \$1   | \$461   |
| Exchange of convertible debt into common stock  | \$515   | \$8,177 |
| Accrued offering costs  | \$—   | \$73    |
| Fair value of warrants at issuance and upon exercise, net                                 | \$—   | \$5,503 |

See the accompanying notes to unaudited consolidated financial statements.

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**GEVO, INC.**

**Notes to Unaudited Consolidated Financial Statements**

**(unaudited)**

**I. Nature of Business, Financial Condition, Basis of Presentation and Reverse Stock Split**

*Nature of Business.* Gevo, Inc. (“Gevo” or the “Company,” which, unless otherwise indicated, refers to Gevo, Inc. and its subsidiaries) is a renewable chemicals and next generation biofuels company focused on the development and commercialization of alternatives to petroleum-based products using isobutanol produced from renewable feedstocks. Gevo was incorporated in Delaware on *June 9, 2005*. Gevo formed Gevo Development, LLC (“Gevo Development”) in *September 2009* to finance and develop biorefineries through joint venture, licensing arrangements, tolling arrangements or direct acquisition (see Note 8. Gevo Development). Gevo Development became a wholly-owned subsidiary of Gevo in *September 2010*. Gevo Development purchased Agri-Energy, LLC (“Agri-Energy”) in *September 2010*.

The Company developed proprietary technology that uses a combination of synthetic biology, metabolic engineering, chemistry and chemical engineering to make isobutanol and hydrocarbon products from isobutanol that can displace petrochemical incumbent products. The Company has been able to genetically engineer yeast, whereby the yeast produces isobutanol from carbohydrates. Through *May 2012*, Agri-Energy was engaged in the business of producing and selling ethanol and related products produced at its production facility located in Luverne, Minnesota (the “Luverne Facility”). The Company commenced the retrofit of the Luverne Facility in *2011* and commenced initial startup operations for the commercial production of isobutanol at the Luverne Facility in *May 2012*. In *September 2012*, the Company made the strategic decision to pause isobutanol production at the Luverne Facility to focus on optimizing specific parts of the process to further enhance isobutanol production rates.

In *2013*, the Company modified the Luverne Facility in order to (i) significantly reduce previously identified infections, (ii) demonstrate that its biocatalyst performs in the *one million* liter fermenters at the Luverne Facility, and (iii) confirm GIFT™ efficacy at commercial scale at the Luverne Facility.

In *2014*, the Company further reconfigured the Luverne Facility to enable the co-production of both isobutanol and ethanol, leveraging the flexibility of its GIFT™ technology, with *one* fermenter utilized for isobutanol production and *three* fermenters utilized for ethanol production. In line with the Company’s strategy to maximize asset utilization and site cash flows, the Company believes that this configuration of the Luverne Facility should allow it to continue to

optimize its isobutanol technology at a commercial scale, while taking advantage of potentially superior ethanol contribution margins. As a result, during certain periods the Company *may* only produce ethanol at the Luverne Facility. In addition, the condition of *two* of the Luverne Facility's oldest fermentation vessels *may* limit the Company's ability to co-produce isobutanol and ethanol. Therefore, the Company expects to focus on the production of ethanol and produce limited volumes of isobutanol until *one* or both of these fermentation vessels have been repaired or replaced.

The Company's technology converts its renewable isobutanol to alcohol-to-jet ("ATJ"), isooctane, isooctene, and para-xylene (building block for polyester) at its hydrocarbons demonstration plant located at South Hampton Resources located in Silsbee, Texas. In addition the Company's Luverne Facility has production capacity of about 20 MGPY of ethanol, 45-50 kilotons ("KT") of animal feed, and 3 million pounds of corn oil.

As of *March 31, 2018*, the Company continues to engage in research and development, business development, business and financial planning, optimizing operations for isobutanol, hydrocarbon and ethanol production and raising capital to fund future expansion of its Luverne Facility for increased isobutanol and hydrocarbon production. Ultimately, the Company believes that the attainment of profitable operations is dependent upon future events, including (i) completing its development activities resulting in commercial production and sales of isobutanol or isobutanol-derived products and/or technology, (ii) obtaining adequate financing to complete its development activities, (iii) obtaining adequate financing to build out further isobutanol and hydrocarbon production capacity, (iv) gaining market acceptance and demand for its products and services, and (v) attracting and retaining qualified personnel.

*Financial Condition.* For the *three* months ended *March 31, 2018* and *2017*, the Company incurred a consolidated net loss of \$2.5 million and \$5.9 million, respectively, and had an accumulated deficit of \$403.9 million at *March 31, 2018*. The Company's cash and cash equivalents at *March 31, 2018* totaled \$7.0 million and are expected to be used for the following purposes: (i) operating activities of the Luverne Facility; (ii) operating activities at the Company's corporate headquarters in Colorado, including research and development work; (iii) capital improvements primarily associated with the Luverne Facility; (iv) costs associated with optimizing isobutanol production technology; (v) exploration of strategic alternatives and new financings; and (vi) debt service and repayment obligations.

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**GEVO, INC.**

**Notes to Unaudited Consolidated Financial Statements**

**(unaudited)**

The Company expects to incur future net losses as it continues to fund the development and commercialization of its product candidates. To date, the Company has financed its operations primarily with proceeds from multiple sales of equity and debt securities, borrowings under debt facilities and product sales. The Company's transition to profitability is dependent upon, among other things, the successful development and commercialization of its product candidates and the achievement of a level of revenues adequate to support the Company's cost structure. The Company *may* never achieve profitability or positive cash flows, and unless and until it does, the Company will continue to need to raise additional cash. Management intends to fund future operations through additional private and/or public offerings of debt or equity securities. In addition, the Company *may* seek additional capital through arrangements with strategic partners or from other sources, it *may* seek to restructure its debt and it will continue to address its cost structure. Notwithstanding, there can be *no* assurance that the Company will be able to raise additional funds, or achieve or sustain profitability or positive cash flows from operations. Existing working capital was *not* sufficient to meet the cash requirements to fund planned operations through the period that is *one* year after the date the Company's audited 2017 year-end financial statements were issued. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company's inability to continue as a going concern *may* potentially affect the Company's rights and obligations under its senior secured debt and issued and outstanding convertible notes. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern and do *not* include adjustments that might result from the outcome of this uncertainty. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of liabilities in the normal course of business.

*At-the-Market Offering Program.* In February 2018, the Company commenced an at-the-market offering program, which allows it to sell and issue up to \$5.0 million of shares of the Company's common stock. In the *first* quarter of 2018, the Company issued 104,138 shares of common stock under the at-the-market offering for gross proceeds of \$0.1 million. The Company paid commissions to its sales agent of approximately \$1,000 and incurred other offering related expenses of \$0.2 million, the majority of which were one-time expenses associated with the establishment of the "At-the-Market Offering Program". The Company has remaining capacity to issue up to approximately \$4.9 million of additional shares of common stock under the at-the-market offering program. Net proceeds will be used for general corporate purposes.

*Basis of Presentation.* The unaudited consolidated financial statements of the Company (which include the accounts of its wholly-owned subsidiaries Gevo Development and Agri-Energy) have been prepared, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"). Accordingly, they do *not* include all information and footnotes required by accounting principles generally accepted in the United States ("GAAP") for complete financial statements. These statements reflect all normal and recurring adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of the Company at March 31, 2018 and are *not* necessarily indicative of the results to be expected for the full year. These statements should be read in conjunction with the Company's consolidated financial statements and notes thereto

included under the heading “Financial Statements and Supplementary Data” in Part II, Item 8 of the Company’s Annual Report on Form 10-K for the year ended *December 31, 2017* (the “Annual Report”). *NASDAQ Market Price Compliance*. On *June 21, 2017*, the Company received a deficiency letter from the Listing Qualifications Department of the Nasdaq Stock Market, notifying the Company that, for the prior *30* consecutive business days, the closing bid price of the Company’s common stock was *not* maintained at the minimum required closing bid price of at least *\$1.00* per share as required for continued listing on the Nasdaq Capital Market. In accordance with Nasdaq Listing Rules, the Company had an initial compliance period of *180* calendar days, to regain compliance with this requirement. On *December 20, 2017*, the Nasdaq Stock Market granted the Company an additional *180* calendar days, or until *June 18, 2018*, to regain compliance. To regain compliance, the closing bid price of the Company’s common stock must be *\$1.00* per share or more for a minimum of *10* consecutive business days at any time before *June 18, 2018*. The Nasdaq determination to grant the *second* compliance period was based on our meeting of the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on the Nasdaq Capital Market, with the exception of the bid price requirement, and the Company’s written notice of its intention to cure the deficiency during the *second* compliance period by effecting a reverse stock split, if necessary.

### ***Recent Accounting Pronouncements***

***Leases (“ASU 2016-02”)***. In *February 2016*, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) *No. 2016-02, Topic 842 Leases*. ASU-2016-02 requires leases to be reported on the financial statements. The objective is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after *December 15, 2018*, including interim periods within those fiscal years. Future minimum lease obligations for leases accounted for as operating leases at *March 31, 2018* totaled *\$2.7* million. The Company is currently in the process of evaluating the impact of adoption of ASU 2016-02 on its consolidated financial statements.

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**GEVO, INC.**

**Notes to Unaudited Consolidated Financial Statements**

**(unaudited)**

***Derivatives and Hedging (Topic 815) I. Accounting for Certain Financial Instruments with Down Round Provisions (“ASU 2017-11”)***. In July 2017, the FASB issued Accounting Standards Update No. 2017-11, *Derivatives and Hedging (Topic 815) Accounting for Certain Financial Instruments with Down Round Provisions* which simplifies the accounting for certain equity-linked financial instruments and embedded features with down round features that reduce the exercise price when the pricing of a future round of financing is lower. Currently, the existence of such features require classification outside of equity and recognition of changes in the fair value of the instrument in earnings each reporting period. This standard eliminates the need to remeasure the instruments at fair value and allows classification within equity. This standard will *not* materially impact the Company’s accounting, as current liability classified financial instruments and embedded derivatives that require separation from the host instrument have features other than down-round provisions that require current accounting and classification.

***Adoption of New Accounting Pronouncements.***

***Revenue from Contracts with Customers (“ASU 2014-09”)***. In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*. The objective of ASU 2014-09 is to outline a new, single comprehensive model to use in accounting for revenue arising from contracts with customers. The new revenue recognition model provides a *five*-step analysis for determining when and how revenue is recognized, depicting the transfer of promised goods or services to customers in an amount that reflects the consideration that is expected to be received in exchange for those goods or services. ASU 2014-09 is effective for fiscal years and interim periods within those years beginning after *December 15, 2016*. Early adoption is permitted. On *July 9, 2015*, the FASB Board voted to delay the implementation of ASU 2014-09 by *one* year to *December 15, 2017*. In *April 2016*, the FASB issued Accounting Standards Update No. 2016-10 *Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing* (“ASU 2016-10”) which provides additional clarification regarding *Identifying Performance Obligations and Licensing*. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. As a result of the Company’s conclusions below, there is *no* requirement to select a transition method, as a result of the Company determining that there is *no* impact upon revenue recognition, historical or otherwise, as a result of adopting ASU 2014-09 effective *January 1, 2018*.

The Company's current and historical revenues have consisted of the following: (a) ethanol sales and related products revenue, net; (b) Hydrocarbon revenue; and (c) grant and other revenue, which primarily has historically consisted of revenues from governmental and cooperative research grants. The following provides the Company's assessment on how this standard impacted the Company upon its adoption effective *January 1, 2018*

*Ethanol sales and related products revenues.* Ethanol sales and related products revenues are sold to customers on a "free-on-board, shipping point" basis. Each transaction occurs independent of any other sale, and once sold, there are *no* future obligations on the part of the Company to provide post-sale support or promises to deliver future goods or services. The Company has and continues to sell close to *100* percent of its ethanol production to a single customer, representing *74%* and *80%* of total revenues for the *three* months ended *March 31, 2018* and *2017*, respectively. The Company completed its review of this customer and consistent with prior assessments, does *not* expect there to be any impact on how the Company has and will continue to account for sales of ethanol to this customer. The Company further evaluated related products, including distiller's grains, corn oil and isobutanol, and after its review, there is *no* significant impact either historically or prospectively upon the Company's adoption of this standard on *January 1, 2018*.

*Hydrocarbon revenue.* Hydrocarbon revenues include sales of ATJ, isooctene and isooctane and is sold mostly on a "free-on-board, shipping point" basis. Each transaction occurs independent of any other sale, and once sold, there are *no* future obligations on the part of the Company to provide post-sale support or promises to deliver future goods or services. The Company has determined that there will be *no* material impact as to how the Company has historically recognized or will recognize revenues upon adopting this standard on *January 1, 2018*.

*Grant and other revenues.* Grant and other revenues primarily have historically consisted of governmental and cooperative research grants, of which the *Northwest Advanced Renewables Alliance* ("NARA") grant, funded by the United States Department of Agriculture ("USDA"), comprised the majority of those revenues since *2014*. After reviewing this arrangement, the Company has concluded that this grant consists of a non-reciprocal arrangement, and therefore, does *not* qualify as a contract pursuant to Topic *606* "*Revenues from Contracts with Customers*", which was established with the issuance of ASU *2014-09*. However, Topic *606* stipulates revenue recognition under these circumstances, and we determined that there is *no* change to revenues recognition upon adopting this standard on *January 1, 2018*.

Table of Contents**GEVO, INC.****Notes to Unaudited Consolidated Financial Statements****(unaudited)**

**Statement of Cash Flows – Restricted Cash (“ASU 2016-18”).** In *November 2016*, the FASB issued Accounting Standards Update *No. 2016-18, Statement of Cash Flows – Restricted Cash*, which standardizes the classification and presentation of changes in restricted cash on the statement of cash flows. This amendment requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This amendment is effective for public business entities for fiscal years beginning after *December 15, 2017*, but early adoption was permitted. This standard must be applied retrospectively for all periods presented. The Company’s adoption of this standard on *January 1, 2018* materially impacted the presentation of the Company’s previously presented *2017* statements of cash flows for the three, six, *nine* and *twelve* months ended *December 31, 2017*, as the Company released approximately \$2.6 million of restricted cash in *April 2017*.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows (all amounts unaudited and in thousands):

|   | <b>March 31,</b> |             |
|---|------------------|-------------|
|   | <b>2018</b>      | <b>2017</b> |
| Cash and cash equivalents   | \$7,029          | \$20,393    |
| Restricted cash   | -                | 2,611       |
| Total cash, cash equivalents, and restricted cash shown in the statement of cash flows. | \$7,029          | \$23,004    |

**2. Earnings per Share**

Basic net loss per share is computed by dividing the net loss for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share (“EPS”) includes the dilutive effect of common stock equivalents and is computed using the weighted-average number of common stock and common stock equivalents outstanding during the reporting period. Diluted EPS for the *three* months ended *March 31, 2018* and *2017* excluded common stock equivalents because the effect of their inclusion would be anti-dilutive, or would decrease the reported loss per share.

The following table sets forth securities outstanding that could potentially dilute the calculation of diluted earnings per share.

|   | <b>March 31,</b> |             |
|---|------------------|-------------|
|   | <b>2018</b>      | <b>2017</b> |
| Warrants to purchase common stock - liability classified (see Note 6) | 7,192,373        | 14,017,373  |
| Warrant to purchase common stock - equity classified                  | 1,393            | 1,393       |
| 2017 Notes  | –                | 47,827      |
| 2020 Notes  | 28,093,500       | –           |
| 2022 Notes  | –                | 688         |
| Outstanding options to purchase common stock                          | 46,431           | 76,915      |
| Unvested restricted common stock                                      | 2,204            | 7,536       |
| Total   | 35,335,901       | 14,151,732  |

The Company issued 1,498,241 shares of common stock under the at-the-market public offering, between *April 1, 2018* through *May 10, 2018*, which are *not* reflected in the tables presented above.

### 3. Revenues from Contracts with Customers Other Revenues

The Company's current and historical revenues have consisted of the following: (a) ethanol sales and related products revenue, net; (b) hydrocarbon revenue; and (c) grant and other revenue, which primarily has historically consisted of revenues from governmental and cooperative research grants.

*Ethanol sales and related products revenues.* Ethanol sales and related products revenues are sold to customers on a “free-on-board, shipping point” basis. Each transaction occurs independent of any other sale, and once sold, there are *no* future obligations on the part of the Company to provide post-sale support or promises to deliver future goods or services.

Table of Contents**GEVO, INC.****Notes to Unaudited Consolidated Financial Statements****(unaudited)**

*Hydrocarbon revenue.* Hydrocarbon revenues include sales of ATJ, isooctene and isooctane and is sold mostly on a “free-on-board, shipping point” basis. Each transaction occurs independent of any other sale, and once sold, there are *no* future obligations on the part of the Company to provide post-sale support or promises to deliver future goods or services.

*Grant and other revenues.* Grant and other revenues primarily have historically consisted of governmental and cooperative research grants, of which the *Northwest Advanced Renewables Alliance* (“NARA”) grant, funded by the United States Department of Agriculture (“USDA”), comprised the majority of those revenues since 2014. After reviewing this arrangement, the Company has concluded that this grant consists of a non-reciprocal arrangement, and therefore, does *not* qualify as a contract pursuant to Topic 606 “*Revenues from Contracts with Customers*”. Other revenues also include occasional short-term (less than *one*-year) consulting services and until *December* of 2017, the lease of the Company’s corn storage bins at its Luverne, MN facility.

The following table sets forth the components of the Company’s revenues between those generated from contracts with customers and those generated from arrangements that do *not* constitute a contract with a customer (in thousands):

| <b>Major Goods/Service Line</b>         | <b>Three Months Ended<br/>March 31, 2018<br/>Revenues<br/>from</b> |                           | <b>Total</b> |
|---|--|---------------------------|--------------|
|   | <b>Contracts<br/>with<br/>Customers</b>                            | <b>Other<br/>Revenues</b> |              |
| Ethanol sales and related products, net | \$8,218  |                           | \$8,218      |
| Hydrocarbon revenue                     | -  | -                         | -            |
| Grant and other revenue                 | 25   | -                         | 25           |
|   | \$8,243  | \$ -                      | \$8,243      |
| <b>Timing of Revenue Recognition</b>    |  |                           |              |
| Goods transferred at a point in time    | \$8,218  | \$ -                      | \$8,218      |
| Services transferred over time          | 25   | -                         | 25           |

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|                                |         |      |         |
|--------------------------------|---------|------|---------|
|                                | \$8,243 | \$ - | \$8,243 |
| <b>Operating Segment</b>       |         |      |         |
| Gevo                           | \$25    | \$ - | \$25    |
| Gevo Development / Agri-Energy | 8,218   | -    | 8,218   |
|                                | \$8,243 | \$ - | \$8,243 |
| <b>Geographic Region</b>       |         |      |         |
| United States                  | \$8,243 | \$ - | \$8,243 |
| Other                          | -       | -    | -       |
|                                | \$8,243 | \$ - | \$8,243 |

**Three Months Ended  
March 31, 2017  
Revenues  
from**

| <b>Major Goods/Service Line</b>         | <b>Contracts<br/>with</b> | <b>Other<br/>Revenues</b> | <b>Total</b> |
|---|---------------------------|---------------------------|--------------|
|   | <b>Customers</b>          |                           |              |
| Ethanol sales and related products, net | \$5,494                   | \$ -                      | \$5,494      |
| Hydrocarbon revenue                     | 90                        | -                         | 90           |
| Grant and other revenue                 | -                         | 32                        | 32           |
|   | \$5,584                   | \$ 32                     | \$5,616      |
| <b>Timing of Revenue Recognition</b>    |                           |                           |              |
| Goods transferred at a point in time    | \$5,584                   | \$ -                      | \$5,584      |
| Services transferred over time          | -                         | 32                        | 32           |
|   | \$5,584                   | \$ 32                     | \$5,616      |
| <b>Operating Segment</b>                |                           |                           |              |
| Gevo                                    | \$90                      | \$ -                      | \$90         |
| Gevo Development / Agri-Energy          | 5,494                     | 32                        | 5,526        |
|   | \$5,584                   | \$ 32                     | \$5,616      |
| <b>Geographic Region</b>                |                           |                           |              |
| United States                           | \$5,494                   | \$ 32                     | \$5,526      |
| Other                                   | 90                        | -                         | 90           |
|   | \$5,584                   | \$ 32                     | \$5,616      |

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**GEVO, INC.**

**Notes to Unaudited Consolidated Financial Statements**

**(unaudited)**

*Goods transferred at a point-in-time.* For the *three* months ended *March 31, 2018* and *2017*, there were *no* contracts with customers for which consideration was variable or for which there were multiple performance obligations for any given contract. Accordingly, the entire transaction price is allocated to the goods transferred. As of *March 31, 2018* and *December 31, 2017*, there were *no* remaining unfulfilled or partially fulfilled performance obligations.

All goods transferred are tested to ensure product sold satisfies contractual product specifications prior to transfer. The customer obtains control of the goods when title and risk of loss for the goods has transferred, which in most cases is “*free-on-board, shipping point*”. All material contracts have payment terms of between *one* to *three* months, and there are *no* return or refund rights.

*Services transferred over time*

For the *three* months ended *March 31, 2018* and *2017*, there were *no* contracts for which consideration was variable or for which there were multiple performance obligation for any given contract. Accordingly, the entire transaction price is allocated to the individual service performance obligation. As of *March 31, 2018* and *December 31, 2017*, there were *no* material unfulfilled or partially fulfilled performance obligations.

For the *three* months ended *March 31, 2018* and *2017*, revenues were recognized ratably over time, as the performance obligation was satisfied and benefit to the customer was transferred on a ratable basis over time.

*Contract Assets and Trade Receivables*

As of *March 31, 2018* and *December 31, 2017*, there were *no* contract assets or liabilities as all customer amounts owed to the Company are unconditional and the Company does *not* receive payment in advance for its products. Accordingly, amounts owed by customers are classified as account receivables on the Company’s consolidated balance sheets. In addition, due to the nature of the Company’s contracts, there are *no* costs incurred or to be paid in the future that qualify for asset recognition as a cost to fulfill or obtain a contract. The Company did *not* incur any impairment losses on any receivables as all amounts owed were paid or current as of *March 31, 2018* and *December 31, 2017*.

**4. Inventories**

The following table sets forth the components of the Company's inventory balances (in thousands).

|                                    | <b>March<br/>31,<br/>2018</b> | <b>December<br/>31,<br/>2017</b> |
|------------------------------------|-------------------------------|----------------------------------|
| Raw materials                      |                               |                                  |
| Corn                               | \$33                          | \$ 189                           |
| Enzymes and other inputs           | 172                           | 202                              |
| Nutrients                          | 5                             | 5                                |
| Finished goods                     |                               |                                  |
| Ethanol                            | 385                           | 222                              |
| Isobutanol                         | 1,010                         | 1,122                            |
| Jet Fuels, Isooctane and Isooctene | 908                           | 524                              |
| Distiller's grains                 | 23                            | 59                               |
| Work in process - Agri-Energy      | 226                           | 197                              |
| Work in process - Gevo             | 145                           | 437                              |
| Spare parts                        | 1,449                         | 1,405                            |
| Total inventories                  | \$4,356                       | \$ 4,362                         |

Work in process inventory includes unfinished jet fuel, isooctane, and isooctene inventory.

Table of Contents**GEVO, INC.****Notes to Unaudited Consolidated Financial Statements****(unaudited)****5. Property, Plant and Equipment**

The following table sets forth the Company's property, plant and equipment by classification (in thousands).

|   | <b>Useful Life<br/>(in years)</b> | <b>March 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|---|-----------------------------------|---------------------------|------------------------------|
| Construction in progress  |                                   | \$ 507                    | \$ 479                       |
| Plant machinery and equipment                                   | 10                                | 16,285                    | 16,284                       |
| Site improvements   | 10                                | 7,051                     | 7,051                        |
| Luverne retrofit asset  | 20                                | 70,842                    | 70,842                       |
| Lab equipment, furniture and fixtures and vehicles              | 5                                 | 6,513                     | 6,513                        |
| Demonstration plant   | 2                                 | 3,597                     | 3,597                        |
| Buildings   | 10                                | 2,543                     | 2,543                        |
| Computer, office equipment and software                         | 3                                 | 1,807                     | 1,795                        |
| Leasehold improvements, pilot plant, land and support equipment | 2 - 5                             | 2,536                     | 2,536                        |
| Total property, plant and equipment                             |                                   | 111,681                   | 111,640                      |
| Less accumulated depreciation and amortization                  |                                   | (42,917)                  | (41,271)                     |
| Property, plant and equipment, net                              |                                   | \$ 68,764                 | \$ 70,369                    |

Included in cost of goods sold is depreciation of \$1.6 million and \$1.5 million during the *three* months ended *March 31, 2018* and *2017*, respectively.

Included in operating expenses is depreciation of \$0.1 million and \$0.1 million during the *three* months ended *March 31, 2018* and *2017*, respectively.

## 6. Embedded Derivatives and Derivative Warrant Liabilities

### *2020 Notes Embedded Derivative*

In *June 2017*, the Company issued its *12%* convertible senior secured notes due *2020* (the “*2020 Notes*”) in exchange for its *12.0%* convertible senior secured notes due *2017* (the “*2017 Notes*”). The *2020 Notes* contain the following embedded derivatives: (i) a Make-Whole Payment (as defined in the indenture governing the *2020 Notes* (the “*2020 Notes Indenture*”)) upon either conversion or redemption; (ii) right to redeem the outstanding principal upon a Fundamental Change (as defined in the *2020 Notes Indenture*); (iii) issuer rights to convert into a limited number of shares in any given *three* month period commencing *nine* -months from the issuance date and dependent on the stock price exceeding *150%* of the then in-effect conversion price over a *ten*-business day period; and (iv) holder rights to convert into either shares of the Company’s common stock or pre-funded warrants upon the election of the holders of the *2020 Notes*.

Embedded derivatives are separated from the host contract and the *2020 Notes*, and carried at fair value when: (a) the embedded derivative possesses economic characteristics that are *not* clearly and closely related to the economic characteristics of the host contract; and (b) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument. The Company has concluded that certain embedded derivatives within the *2020 Notes* meet these criteria and, as such, must be valued separate and apart from the *2020 Notes* as *one* embedded derivative and recorded at fair value each reporting period.

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The Company used a binomial lattice model in order to estimate the fair value of the embedded derivative in the 2020 Notes. A binomial lattice model generates *two* probable outcomes, whether up or down, arising at each point in time, starting from the date of valuation until the maturity date. A lattice was initially used to determine if the 2020 Notes would be converted by the holder, called by the issuer, or held at each decision point. Within the lattice model, the following assumptions are made: (i) the 2020 Notes will be converted by the holder if the conversion value plus the holder's Make-Whole Payment is greater than the holding value; or (ii) the 2020 Notes will be called by the issuer if (a) the stock price exceeds 150% of the then in-effect conversion price over a *ten*-business day period and (b) if the holding value is greater than the conversion value plus the Make-Whole Payment at the time. Using this lattice model, the Company valued the embedded derivative using a "with-and-without method", where the value of the 2020 Notes including the embedded derivative is defined as the "with", and the value of the 2020 Notes excluding the embedded derivative is defined as the "without". This method estimates the value of the embedded derivative by comparing the difference in the values between the 2020 Notes with the embedded derivative and the value of the 2020 Notes without the embedded derivative. The lattice model requires the following inputs: (i) price of Gevo common stock; (ii) Conversion Rate (as defined in the 2020 Notes Indenture); (iii) Conversion Price (as defined in the 2020 Notes Indenture); (iv) maturity date; (v) risk-free interest rate; (vi) estimated stock volatility; and (vii) estimated credit spread for the Company.

As of *March 31, 2018*, the estimated fair value of the embedded derivatives was \$2.4 million. Any change in the estimated fair value of the embedded derivatives represents an unrealized gain which has been recorded as \$2.9 million from the change in fair value of embedded derivatives in the consolidated statements of operations for the *three* months ended *March 31, 2018*, respectively. The Company recorded the estimated fair value of the embedded derivative with the 2020 Notes, net in the consolidated balance sheets.

The following table sets forth the inputs to the lattice model that were used to value the embedded derivatives.

|                             | <b>March<br/>31,<br/>2018</b> | <b>December<br/>31,<br/>2017</b> |      |   |
|-----------------------------|-------------------------------|----------------------------------|------|---|
| Stock price                 | \$0.46                        | 0.59                             |      |   |
| Conversion Rate per \$1,000 | 1,358.90                      | 1,358.90                         |      |   |
| Conversion Price            | \$0.74                        | \$0.74                           |      |   |
| Maturity date               | March 15,<br>2020             | March 15,<br>2020                |      |   |
| Risk-free interest rate     | 2.24                          | %                                | 1.89 | % |

|                            |    |   |    |   |
|----------------------------|----|---|----|---|
| Estimated stock volatility | 75 | % | 75 | % |
| Estimated credit spread    | 28 | % | 28 | % |

Changes in certain inputs into the lattice model can have a significant impact on changes in the estimated fair value of the embedded featured within the 2020 Notes. For example, the estimated fair value will generally decrease with: (1) a decline in the stock price; (2) decreases in the estimated stock volatility; and (3) a decrease in the estimated credit spread.

### ***2022 Notes Embedded Derivative***

In *July 2012*, the Company issued 7.5% convertible senior notes due *July 2022* (the “2022 Notes”) which contain the following embedded derivatives: (i) rights to convert into shares of the Company’s common stock, including upon a Fundamental Change (as defined in the indenture governing the 2022 Notes (the “2022 Notes Indenture”)); and (ii) a Coupon Make-Whole Payment (as defined in the 2022 Notes Indenture) in the event of a conversion by the holders of the 2022 Notes prior to *July 1, 2017*.

The Company had concluded that the embedded derivatives within the 2020 Notes required separation from the host instrument and was re-valued each reporting period, with changes in the fair value of the embedded derivative recognized as a component of the Company’s consolidated Statements of Operations. As of *December 31, 2017*, the fair value of the 2020 Notes embedded derivative was zero. In *January 2018*, the Company entered into a private exchange agreement with a holder of the 2022 Notes to exchange the remaining \$0.5 million of outstanding principal amount of the 2022 Notes for 780,303 shares of common stock. Upon completion of this exchange, the 2022 Notes were satisfied in their entirety and there are *no* remaining obligations under the 2022 Notes, including any remaining obligations under the 2022 Notes embedded derivative.

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**GEVO, INC.**

**Notes to Unaudited Consolidated Financial Statements**

**(unaudited)**

***Derivative Warrant Liability***

The following warrants were sold by the Company:

In *December 2013*, the Company sold warrants to purchase *71,013* shares of the Company's common stock (the "2013 Warrants").

In *August 2014*, the Company sold warrants to purchase *50,000* shares of the Company's common stock (the "2014 Warrants").

In *February 2015*, the Company sold Series A warrants to purchase *110,833* shares of the Company's common stock (the "Series A Warrants") and Series B warrants to purchase *110,883* shares of the Company's common stock (the "Series B Warrants").

In *May 2015*, the Company sold Series C warrants to purchase *21,500* shares of the Company's common stock (the "Series C Warrants").

In *December 2015*, the Company sold Series D warrants to purchase *502,500* shares of the Company's common stock (the "Series D Warrants") and Series E warrants to purchase *400,000* shares of the Company's common stock (the "Series E Warrants").

In *April 2016*, the Company sold Series F warrants to purchase *514,644* shares of the Company's common stock (the "Series F Warrants") and Series H warrants to purchase *1,029,286* shares of the Company's common stock (the "Series H Warrants"), and pre-funded Series G warrants (the "Series G Warrants") to purchase *328,571* shares of the Company's common stock, pursuant to an underwritten public offering.

In *September 2016*, the Company sold Series I warrants to purchase *712,503* shares of the Company's common stock (the "Series I Warrant") and pre-funded Series J warrants ("Series J Warrants") to purchase *185,000* shares of the Company's common stock, pursuant to an underwritten public offering.

In *February 2017*, the Company sold Series K warrants to purchase *6,250,000* shares of the Company's common stock (the "Series K Warrants") and Series M warrants to purchase *6,250,000* shares of the Company's common stock (the "Series M Warrants"), and pre-funded Series L warrants (the "Series L Warrants") to purchase *570,000* shares of the Company's common stock, pursuant to an underwritten public offering.

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The following table sets forth information pertaining to shares issued upon the exercise of such warrants as of *March 31, 2018*:

|                     | <b>Issuance</b> | <b>Expiration</b> | <b>Exercise</b>    | <b>Shares</b>     | <b>Shares</b>    | <b>Shares</b>      |
|---------------------|-----------------|-------------------|--------------------|-------------------|------------------|--------------------|
|                     | <b>Date</b>     | <b>Date</b>       | <b>Price as of</b> | <b>Underlying</b> | <b>Issued</b>    | <b>Underlying</b>  |
|                     | <b>Date</b>     | <b>Date</b>       | <b>March 31,</b>   | <b>Warrants</b>   | <b>upon</b>      | <b>Warrants</b>    |
|                     |                 |                   | <b>2018</b>        | <b>on</b>         | <b>Exercises</b> | <b>Outstanding</b> |
|                     |                 |                   |                    | <b>Issuance</b>   | <b>as of</b>     | <b>as of</b>       |
|                     |                 |                   |                    | <b>Date</b>       | <b>March 31,</b> | <b>March 31,</b>   |
|                     |                 |                   |                    |                   | <b>2018</b>      | <b>2018 (4)</b>    |
| 2013 Warrants       | 12/16/2013      | 12/16/2018        | \$ 8.99            | 71,013            | 15,239           | 55,774             |
| 2014 Warrants       | 08/05/2014      | 08/05/2019        | \$ 6.83            | 50,000            | 30,538           | 19,462             |
| Series A Warrants   | 02/03/2015      | 02/03/2020        | \$ 0.68            | 110,833           | 99,416           | 11,417             |
| Series B Warrants   | 02/03/2015      | 08/03/2015        | - (1)              | 110,833           | 110,833          | -                  |
| Series C Warrants   | 05/19/2015      | 05/19/2020        | \$ 5.50            | 21,500            | -                | 21,500             |
| Series D Warrants   | 12/11/2015      | 12/11/2020        | \$ 2.00            | 502,500           | 501,570          | 930                |
| Series E Warrants   | 12/11/2015      | 12/11/2020        | - (1)              | 400,000           | 400,000          | -                  |
| Series F Warrants   | 04/01/2016      | 04/01/2021        | \$ 2.00            | 514,644           | 233,857          | 280,787            |
| Series G Warrants   | 04/01/2016      | 04/01/2017        | - (1)              | 328,571           | 328,571          | -                  |
| Series H Warrants   | 04/01/2016      | 10/01/2016        | - (1)              | 1,029,286         | 1,029,286        | -                  |
| Series I Warrants   | 09/13/2016      | 09/13/2021        | \$ 11.00           | 712,503           | -                | 712,503            |
| Series J Warrants   | 09/13/2016      | 09/13/2017        | - (1)              | 185,000           | 185,000          | -                  |
| Series K Warrants   | 02/17/2017      | 2/17/2022         | \$ 0.60            | 6,250,000         | 160,000          | 6,090,000          |
| Series L Warrants   | 02/17/2017      | 02/17/2018        | - (1)              | 570,000           | 570,000          | -                  |
| Series M-A Warrants | 02/17/2017      | 11/17/2017        | - (1), (2)         | 2,305,000         | 1,485,000        | -                  |
| Series M-B Warrants | 02/17/2017      | 11/17/2017        | - (1), (3)         | 3,945,000         | 3,945,000        | -                  |
|                     |                 |                   |                    | 17,106,683        | 9,094,310        | 7,192,373          |

- (1) Warrants have either been fully exercised and/or expired as of *March 31, 2018*.
- (2) In *October 2017*, 1,485,000 Series M warrants were repriced between \$0.60 and \$0.65 per warrant. Of those warrants that were repriced, all were exercised in the *fourth* quarter of 2017, providing proceeds of \$1.0 million.
- (3) In *September 2017*, 3,945,000 Series M warrants were repriced to \$0.60. Of those warrants that were repriced, all were exercised in the *second* half of 2017, providing proceeds of \$2.4 million.
- (4) This table does *not* include 1,393 equity-classified warrants issued between 2008 through 2012, with strike prices between \$17.70 and \$24.45 per share.

The agreements governing the above warrants include the following terms:

certain warrants have exercise prices which are subject to adjustment for certain events, including the issuance of stock dividends on the Company's common stock and, in certain instances, the issuance of the Company's common stock or instruments convertible into the Company's common stock at a price per share less than the exercise price of the respective warrants;

warrant holders *may* exercise the warrants through a cashless exercise if, and only if, the Company does *not* have an effective registration statement then available for the issuance of the shares of its common stock. If an effective registration statement is available for the issuance of its common stock a holder *may* only exercise the warrants through a cash exercise;

the exercise price and the number and type of securities purchasable upon exercise of the warrants are subject to adjustment upon certain corporate events, including certain combinations, consolidations, liquidations, mergers, recapitalizations, reclassifications, reorganizations, stock dividends and stock splits, a sale of all or substantially all of the Company's assets and certain other events; and

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in the event of an “extraordinary transaction” or a “fundamental transaction” (as such terms are defined in the respective warrant agreements), generally including any merger with or into another entity, sale of all or substantially all of the Company’s assets, tender offer or exchange offer, or reclassification of its common stock, in which the successor entity (as defined in the respective warrant agreements) that assumes the successor entity is *not* a publicly traded company, the Company or any successor entity will pay the warrant holder, at such holder’s option, exercisable at any time concurrently with or within 30 days after the consummation of the extraordinary transaction or fundamental transaction, an amount of cash equal to the value of such holder’s warrants as determined in accordance with the Black Scholes option pricing model and the terms of the respective warrant agreement. In some circumstances, the Company or successor entity *may* be obligated to make such payments regardless of whether the successor entity that assumes the warrants is a publicly traded company.

There were *no* warrants exercised during the *three* months ended *March 31, 2018*.

As of *March 31, 2018*, all of the Series B, E, G, H, J and M Warrants for which the exercise price had been adjusted were fully exercised or expired.

**7. Accounts Payable and Accrued Liabilities**

The following table sets forth the components of the Company’s accounts payable and accrued liabilities in the consolidated balance sheets (in thousands).

|                            | <b>March<br/>31,<br/>2018</b> | <b>December<br/>31,<br/>2017</b> |
|----------------------------|-------------------------------|----------------------------------|
| Accounts payable - trade   | \$772                         | \$ 666                           |
| Accrued legal-related fees | 192                           | 274                              |

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|  |         |          |
|--|---------|----------|
| Accrued employee compensation                  | 470     | 700      |
| Accrued interest                               | 416     | 434      |
| Accrued production fees                        | 353     | 447      |
| Accrued utilities and supplies payable         | 833     | 677      |
| Accrued taxes payable                          | 358     | 172      |
| Customer deposit                               | -       | 436      |
| Other accrued liabilities *                    | 73      | 205      |
| Total accounts payable and accrued liabilities | \$3,467 | \$ 4,011 |

\* Other accrued liabilities consist of franchise taxes, audit fees, and a variety of other expenses, *none* of which individually represent greater than *five* percent of total current liabilities.

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The following table sets forth information pertaining to the 2020 Notes which is included in the Company's consolidated balance sheets (in thousands).

|  | <b>Principal<br/>Amount<br/>of 2020<br/>Notes</b> | <b>Debt<br/>Discount</b> | <b>Debt<br/>Issue<br/>Costs</b> | <b>Total<br/>2020<br/>Notes</b> | <b>2020<br/>Notes<br/>Embedded<br/>Derivative</b> | <b>Total<br/>2020<br/>Notes and<br/>Notes<br/>Embedded<br/>Derivative</b> |
|--|---|--------------------------|---------------------------------|---------------------------------|---|---|
| Balance - December 31, 2017                            | \$ 16,657   | \$(2,501 )               | \$(665)                         | \$ 13,491                       | \$ 5,224  | \$ 18,715   |
| Amortization of debt discount                          | -   | 252                      | -                               | 252                             | -   | 252   |
| Amortization of debt issue costs                       | -   | -                        | 67                              | 67                              | -   | 67  |
| Paid-in-kind interest                                  | 83  | -                        | -                               | 83                              | -   | 83  |
| Change in fair value of 2020 Notes embedded derivative | -   | -                        | -                               | -                               | (2,858 )  | (2,858 )  |
| Balance - March 31, 2018                               | \$ 16,740   | \$(2,249 )               | \$(598)                         | \$ 13,893                       | \$ 2,366  | \$ 16,259   |

On April 19, 2017, the Company entered into an Exchange and Purchase Agreement (the "Purchase Agreement") with WB Gevo, LTD, the holder of the 2017 Notes (the "Holder") and Whitebox Advisors LLC, in its capacity as representative of the Holder ("Whitebox"). The 2020 Notes were issued under that certain Indenture dated as of June 6, 2014, by and among the Company, the guarantors party thereto, and Wilmington Savings Fund Society, FSB, as trustee and as collateral trustee (as supplemented, the "2017 Notes Indenture"), and Whitebox. Pursuant to the terms of the Purchase Agreement, the Holder, subject to certain conditions, including approval of the transaction by the

Company's stockholders (which was received on *June 15, 2017*), agreed to exchange all of the outstanding principal amount of the *2017* Notes for an equal principal amount of the *2020* Notes, plus an amount in cash equal to the accrued and unpaid interest (other than interest paid in kind) on the *2017* Notes (the "Exchange"). Pursuant to the Purchase Agreement, the Company also granted the Holder an option (the "Purchase Option") to purchase up to an additional aggregate principal amount of \$5.0 million of *2020* Notes (the "Option Notes"), at a purchase price equal to the aggregate principal amount of such Option Notes purchased, having identical terms (other than with respect to the issue date and restrictions on transfer relating to compliance with applicable securities law) to the *2020* Notes issued, at any time on or within *ninety (90)* days of the closing of the Exchange. The right to purchase Option Notes expired in the *third* quarter of *2017*. On *June 20, 2017*, the Company completed the Exchange, terminated the *2017* Notes Indenture and cancelled the *2017* Notes. The Company recognized an approximately \$4.0 million loss which has been recorded as loss on exchange or conversion of debt within the consolidated statements of operations.

The *2020* Notes will mature on *March 15, 2020*. The *2020* Notes bear interest at a rate equal to *12%* per annum (with *2%* potentially payable as PIK Interest (as defined and described below) at the Company's option), payable on *March 31, June 30, September 30, and December 31* of each year. Under certain circumstances, the Company has the option to pay a portion of the interest due on the *2020* Notes by either (a) increasing the principal amount of the *2020* Notes by the amount of interest then due or (b) issuing additional *2020* Notes with a principal amount equal to the amount of interest then due (interest paid in the manner set forth in (a) or (b) being referred to as "PIK Interest"). In the event the Company pays any portion of the interest due on the *2020* Notes as PIK Interest, the maximum aggregate principal amount of *2020* Notes that could be convertible into shares of the Company's common stock will be increased. Additional shares of the Company's common stock *may* also become issuable pursuant to the *2020* Notes in the event the Company is required to make certain make-whole payments as provided in the *2020* Notes Indenture.

The *2020* Notes are convertible into shares of the Company's common stock, subject to certain terms and conditions. The initial conversion price of the *2020* Notes is equal to \$0.7359 per share of common stock, or 1.3589 shares of common stock per \$1 principal amount of *2020* Notes (the "Conversion Price"). In addition, upon certain equity financing transactions by the Company, the Holders will have a *one-time* right to reset the Conversion Price (the "Reset Provision") (i) in the *first ninety (90)* days following the Exchange Date, at a *25%* premium to the common stock price in the equity financing and (ii) after *ninety (90)* and to and including *one hundred eighty (180)* days following the closing of the Exchange, at a *35%* premium to the common stock share price in the equity financing. Following an exercise of the Reset Provision, the Holders will also have a right to consent to certain equity financings by the Company during the *one hundred eighty (180)* days following the closing of the Exchange.

Each Holder has agreed *not* to convert its *2020* Notes into shares of Company common stock to the extent that, after giving effect to such conversion, the number of shares of common stock beneficially owned by such Holder and its affiliates would exceed *4.99%* of Company common stock outstanding at the time of such conversion (the "*4.99%* Ownership Limitation"); provided that a Holder *may*, at its option and upon *sixty-one (61)* days' prior notice to the Company, increase such threshold to *9.99%* (the "*9.99%* Ownership Limitation"). If a conversion of *2020* Notes by Whitebox would exceed the *4.99%* Ownership Limitation or the *9.99%* Ownership Limitation, as applicable, the Purchase Agreement contains a provision granting the holder a fully funded prepaid warrant for such common stock with a term of *nine* months, subject to a *6* month extension, which it can draw down from time to time.



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Other than as set forth in the Reset Provision, the 2020 Notes do *not* contain any anti-dilution adjustments for future equity issuances that are below the Conversion Price, and adjustments to the Conversion Price will only generally be made in the event that there is a dividend or distribution paid on shares of the Company's common stock, a subdivision, combination or reclassification of the Company's common stock, or at the discretion of the Board of Directors of the Company in limited circumstances and subject to certain conditions.

Under certain circumstances, we *may* file *one* or more registration statements on Form S-3 or amend filings in order to register shares of common stock for sale or resale, as necessary in connection with the 2020 Notes.

**2022 Notes**

The following table sets forth information pertaining to the 2022 Notes which is included in the Company's consolidated balance sheets (in thousands).

|                             | <b>Principal<br/>Amount<br/>of 2022<br/>Notes</b> |
|-----------------------------|---|
| Balance - December 31, 2017 | \$ 515  |
| Exchange of 2022 Notes      | (515 )  |
| Balance – March 31, 2018    | \$ —  |

In *July 2012*, the Company sold \$45.0 million in aggregate principal amount of 2022 Notes, for net proceeds of \$40.9 million, after accounting for \$2.7 million and \$1.4 million of discounts and issue costs, respectively. The 2022 Notes bear interest at 7.5% per annum, which is to be paid semi-annually in arrears on *January 1* and *July 1* of each year. The 2022 Notes were to mature on *July 1, 2022*, unless earlier repurchased, redeemed or converted. During the *three* months ended *March 31, 2018* and *2017*, the Company recorded:

\$0.0 million and \$0.08 million, respectively, of expense related to the amortization of debt discounts and issue costs, \$0.02 million and \$1.2 million, respectively, of expense related to the exchange of debt; \$0.0 million and \$0.02 million, respectively, of interest expense related to the 2022 Notes.

The amortization of debt issue costs, debt discounts and cash interest are included as a component of interest expense in the consolidated statements of operations. The Company amortized debt discounts and debt issue costs associated with the 2022 Notes using an effective interest rate of 40% from the issuance date through July 1, 2017, a five-year period, which represents the date the holders can require the Company to repurchase the 2022 Notes.

In January 2018, the Company entered into a private exchange agreement with a holder of the 2022 Notes to exchange the remaining \$0.5 million of outstanding principal amount of the 2022 Notes for 780,303 shares of common stock. Upon completion of this exchange, the 2022 Notes were satisfied in their entirety and there are no remaining obligations under the 2022 Notes.

## 9. Gevo Development

The Company made capital contributions to Gevo Development of \$1.3 million and \$8.9 million, respectively, during the three months ended March 31, 2018 and the year ended December 31, 2017.

The following table sets forth (in thousands) the net loss incurred by Gevo Development (including Agri-Energy after September 22, 2010, the closing date of the acquisition) which has been fully allocated to the Company's capital contribution account based upon its capital contributions (for the period prior to September 2010) and 100% ownership (for the period after September 22, 2010).

|                           | <b>Three Months<br/>Ended March<br/>31,<br/>2018      2017</b> |           |
|---------------------------|--|-----------|
| Gevo Development Net Loss | \$(2,517)  | \$(4,173) |

Table of Contents**GEVO, INC.****Notes to Unaudited Consolidated Financial Statements****(unaudited)**

The accounts of Agri-Energy are consolidated within Gevo Development as a wholly-owned subsidiary which is then consolidated into Gevo.

**10. Stock-Based Compensation**

The Company records stock-based compensation expense during the requisite service period for share-based payment awards granted to employees and non-employees.

The following table sets forth the Company's stock-based compensation expense (in thousands) for the periods indicated.

|   | <b>Three<br/>Months<br/>Ended<br/>March 31,<br/>2018 2017</b> |     |
|---|---|-----|
| Stock options and employee stock purchase plan awards |   |     |
| Research and development                              | \$9   | \$9 |
| Selling, general and administrative                   | 30  | 30  |
| Restricted stock awards                               |   |     |
| Research and development                              | —   | 12  |
| Selling, general and administrative                   | —   | 17  |
| Restricted stock units                                |   |     |
| Research and development                              | 17  | 18  |
| Selling, general and administrative                   | 41  | 42  |

Total stock-based compensation \$97 \$128

## II. Commitments and Contingencies

*Legal Matters.* From time to time, the Company has been and *may* again become involved in legal proceedings arising in the ordinary course of our business. The Company is *not* presently a party to any litigation that we believe to be material and is *not* aware of any pending or threatened litigation against the Company that it believes could have a material adverse effect on our business, operating results, financial condition or cash flows.

*Leases.* During the year ended *December 31, 2012*, the Company entered into a *six*-year software license agreement. The Company concluded that the software license agreement qualified as a capital lease. Accordingly, at *March 31, 2018* and *December 31, 2017*, there were *no* capital lease obligations outstanding.

The Company has an operating lease for its office, research, and production facility in Englewood, Colorado with a term expiring in *July 2021*. The Company also maintains a corporate apartment in Colorado, which has a lease term expiring during the next *12* months. The Company has an operating lease for the rail cars used by Agri-Energy in Luverne, Minnesota.

Rent expense for the *three* months ended *March 31, 2018* and *2017* was *\$0.4* million and *\$0.4* million, respectively.

The table below shows the future minimum payments under non-cancelable operating leases and at *March 31, 2018* (in thousands):

|                     | <b>Operating<br/>Leases</b> |
|---------------------|-----------------------------|
| 2018 (remaining)    | \$ 1,094                    |
| 2019                | 943                         |
| 2020                | 430                         |
| 2021                | 218                         |
| 2022 and thereafter | —                           |
| Total               | \$ 2,685                    |



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**GEVO, INC.**

**Notes to Unaudited Consolidated Financial Statements**

**(unaudited)**

The Company entered into a *five*-year software licensing agreement on *April 2, 2018* with future minimum lease payments totaling approximately *\$0.6* million.

*Indemnifications.* In the ordinary course of its business, the Company makes certain indemnities under which it *may* be required to make payments in relation to certain transactions. As of *March 31, 2018* and *December 31, 2017*, the Company did *not* have any liabilities associated with indemnities.

Certain of the Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable, for which the carrying value on the Company's balance sheet approximates their fair values due to the short maturities.

In addition, the Company, as permitted under Delaware law and in accordance with its amended and restated certificate of incorporation and amended and restated bylaws, indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company's request in such capacity. The duration of these indemnifications, commitments, and guarantees varies and, in certain cases, is indefinite. The maximum amount of potential future indemnification is unlimited; however, the Company has a director and officer insurance policy that *may* enable it to recover a portion of any future amounts paid. The Company accrues for losses for any known contingent liability, including those that *may* arise from indemnification provisions, when future payment is probable. *No* such losses have been recorded to date.

*Environmental Liabilities.* The Company's operations are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which it operates. These laws require the Company to investigate and remediate the effects of the release or disposal of materials at its locations. Accordingly, the Company has adopted policies, practices and procedures in the areas of pollution control, occupational health and the production, handling, storage and use of hazardous materials to prevent material environmental or other damage, and to limit the financial liability which could result from such events. Environmental liabilities are recorded when the Company's liability is probable and the costs can be reasonably estimated. *No* environmental liabilities have been recorded as of *March 31, 2018* or *December 31, 2017*.

## 12. Fair Value Measurements

Accounting standards define fair value, outline a framework for measuring fair value, and detail the required disclosures about fair value measurements. Under these standards, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. Standards establish a hierarchy in determining the fair market value of an asset or liability. The fair value hierarchy has *three* levels of inputs, both observable and unobservable. Standards require the utilization of the highest possible level of input to determine fair value.

Level 1 – inputs include quoted market prices in an active market for identical assets or liabilities.

Level 2 – inputs are market data, other than Level 1, that are observable either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data.

Level 3 – inputs are unobservable and corroborated by little or *no* market data.

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These tables present the carrying value and fair value, by fair value hierarchy, of our financial instruments, excluding cash and cash equivalents, accounts receivable and accounts payable at *March 31, 2018* and *December 31, 2017*, respectively (in thousands).

**Fair Value Measurements at  
March 31, 2018****(In thousands)**

**Quoted  
Prices  
in  
Significant  
Other  
Markets  
for  
Observable  
Inputs  
Identical  
Assets  
(Level  
1)**

**Significant  
Unobservable  
Inputs (Level  
3)**

**Fair  
Value  
at  
March  
31,  
2018**

**Recurring:**

|   |         |     |     |          |
|---|---------|-----|-----|----------|
| Derivative Warrant Liability            | \$1,474 | \$- | \$- | \$ 1,474 |
| 2020 Embedded Derivative Liability      | 2,366   | -   | -   | 2,366    |
| Total Recurring Fair Value Measurements | \$3,840 | \$- | \$- | \$ 3,840 |

**Nonrecurring**

|   |         |      |          |      |
|---|---------|------|----------|------|
| Corn and finished goods inventory           | \$1,835 | \$33 | \$ 1,802 | \$ - |
| Total Non-Recurring Fair Value Measurements | \$1,835 | \$33 | \$ 1,802 | \$ - |

**Fair Value Measurements at  
December 31, 2017****(In thousands)**

**Fair  
Value at  
Quoted  
Prices  
Other**

**Significant  
Other**

**Significant**

|   | December 31,<br>2017 | in<br>Active<br>Market<br>for<br><br>Identical<br>Assets<br><br>(Level<br>1) | Observable<br>Inputs<br>(Level 2) | Unobservable<br>Inputs (Level<br>3) |
|---|----------------------|--|-----------------------------------|-------------------------------------|
| <b>Recurring:</b>                           |                      |  |                                   |                                     |
| Derivative Warrant Liability                | \$ 1,951             | \$-  | \$ -                              | \$ 1,951                            |
| 2020 Notes Embedded Derivative Liability    | 5,224                | -  | -                                 | 5,224                               |
| Total Recurring Fair Value Measurements     | \$ 7,175             | \$-  | \$ -                              | \$ 7,175                            |
| <b>Nonrecurring</b>                         |                      |  |                                   |                                     |
| Corn and finished goods inventory           | \$ 1,916             | \$189  | \$ 1,727                          | \$ -                                |
| Total Non-Recurring Fair Value Measurements | \$ 1,916             | \$189  | \$ 1,727                          | \$ -                                |

Table of Contents**GEVO, INC.****Notes to Unaudited Consolidated Financial Statements****(unaudited)**

The following table provides changes to those fair value measurements using Level 3 inputs for the *three* months ended *March 31, 2018*.

|  | <b>Fair Value<br/>Measurements<br/>Using Significant<br/>Unobservable<br/>Inputs</b> |                                |
|--|--|--------------------------------|
|  | <b>(Level 3) (in<br/>thousands)</b>  |                                |
|  | <b>Derivative<br/>Warrant</b>  | <b>2020 Notes<br/>Embedded</b> |
|  | <b>Liability</b>   | <b>Derivative</b>              |
| <b>Opening Balance</b>                   | \$1,951  | \$ 5,224                       |
| Transfers into Level 3                   | —  | —                              |
| Transfers out of Level 3                 | —  | —                              |
| Total (gains) or losses for the period   |  |                                |
| Included in earnings                     | (477 )   | (2,858 )                       |
| Included in other comprehensive income   | —  | —                              |
| Purchases, issues, sales and settlements |  |                                |
| Purchases                                | —  | —                              |
| Issues                                   | —  | —                              |
| Sales                                    | —  | —                              |
| Settlements                              | —  | —                              |
| <b>Closing balance</b>                   | <b>\$1,474</b>   | <b>\$ 2,366</b>                |

*Inventories.* The Company records its corn inventory at fair value only when the Company's cost of corn purchased exceeds the market value for corn. The Company determines the market value of corn and dry distiller's grain based upon Level 1 inputs using quoted market prices. The Company records its ethanol, isobutanol and hydrocarbon inventory at market using Level 2 inputs.

*2020 Notes Embedded Derivative.* The Company had estimated the fair value of the embedded derivative on a stand-alone basis to be \$2.4 million at *March 31, 2018* and \$5.2 million at *December 31, 2017* based upon Level 3 inputs. Changes in the fair value of the embedded derivative is recognized each reporting period as a “*Change in fair value of 2020 Notes embedded derivative*” in the consolidated Statements of Operations and Statements of Cash Flows. See Note 6, Embedded Derivatives and Derivative Warrant Liabilities, for the fair value inputs used to estimate the fair value of the embedded derivative.

*Derivative Warrant Liability.* Prior to *2017*, the Company estimated the fair value of the Series A, Series F and Series K warrants using a Monte-Carlo model (Level 3). For all other warrants the Company valued these using a standard Black-Scholes model (Level 2). However, beginning in the *first* quarter *2017*, the Company valued the Series F and K using a Monte-Carlo model (Level 3) and other warrants using Black-Scholes models comprised of some inputs requiring the use of Monte-Carlo models (Level 3). During the *first* quarter of *2018*, only the Series K warrants were valued using a Monte-Carlo model. The Company has estimated the fair value of the derivative warrant liability to be \$1.5 million as of *March 31, 2018*. Changes in the fair value of the derivative warrant liability is recognized each reporting period as a “*Change in fair value of derivative warrant liability*” in the consolidated Statements of Operations and Statements of Cash Flows.

While the Company believes that its valuation methods are appropriate and consistent with other market participants, it recognizes that the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

### **13. Segments**

We have determined that we have *two* operating segments: (i) Gevo segment; and (ii) Gevo Development/Agri-Energy segment. We organize our business segments based on the nature of the products and services offered through each of our consolidated legal entities. Transactions between segments are eliminated in consolidation.

***Gevo Segment.*** Our Gevo segment is responsible for all research and development activities related to the future production of isobutanol, including the development of our proprietary biocatalysts, the production and sale of biojet fuel, our retrofit process and the next generation of chemicals and biofuels that will be based on our isobutanol technology. Our Gevo segment also develops, maintains and protects our intellectual property portfolio, develops future markets for our isobutanol and provides corporate oversight services.

Table of Contents**GEVO, INC.****Notes to Unaudited Consolidated Financial Statements****(unaudited)**

**Gevo Development/Agri-Energy Segment.** Our Gevo Development/Agri-Energy segment is currently responsible for the operation of our Luverne Facility and the production of ethanol, isobutanol and related products.

|  | <b>Three Months<br/>Ended March<br/>31,<br/>2018      2017</b> |           |
|--|--|-----------|
| Revenues:                                      |  |           |
| Gevo   | \$25   | \$90      |
| Gevo Development / Agri-Energy                 | 8,218  | 5,526     |
| Consolidated                                   | \$8,243  | \$5,616   |
| Loss from operations:                          |  |           |
| Gevo   | \$(2,476)  | \$(3,065) |
| Gevo Development / Agri-Energy                 | (2,523)  | (4,117)   |
| Consolidated                                   | \$(4,999)  | \$(7,182) |
| Interest expense:                              |  |           |
| Gevo   | \$825  | \$714     |
| Gevo Development / Agri-Energy                 | —  | —         |
| Consolidated                                   | \$825  | \$714     |
| Depreciation expense:                          |  |           |
| Gevo   | \$84   | \$137     |
| Gevo Development / Agri-Energy                 | 1,562  | 1,539     |
| Consolidated                                   | \$1,646  | \$1,676   |
| Acquisitions of plant, property and equipment: |  |           |
| Gevo   | \$—  | \$56      |
| Gevo Development / Agri-Energy                 | 67   | 617       |
| Consolidated                                   | \$67   | \$673     |

| <b>March<br/>31,<br/>2018</b> | <b>December<br/>31,<br/>2017</b> |
|-------------------------------|----------------------------------|
|-------------------------------|----------------------------------|

|                                |           |           |
|--------------------------------|-----------|-----------|
| Total assets:                  |           |           |
| Gevo                           | \$81,629  | \$87,507  |
| Gevo Development / Agri-Energy | 147,290   | 149,758   |
| Intercompany eliminations      | (146,046) | (148,412) |
| Consolidated                   | \$82,873  | \$88,853  |

#### **14. Subsequent Events**

None noted except for those events described in Notes 2 and 11 to the unaudited consolidated financial statements for the quarter ended March 31, 2018.

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**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

**Forward-Looking Statements**

This Quarterly Report on Form 10-Q (this “Report”) contains forward-looking statements. When used anywhere in this Quarterly Report on Form 10-Q (this “Report”), the words “expect,” “believe,” “anticipate,” “estimate,” “intend,” “plan” and similar expressions are intended to identify forward-looking statements. These statements relate to future events or our future financial or operational performance and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Such risks and uncertainties include those related to our ability to sell our products, our ability to expand or continue production of isobutanol at our production facility in Luverne, Minnesota (the “Luverne Facility”), our ability to meet our production, financial and operational guidance, the continued listing of our common stock on The NASDAQ Capital Market, our ability and plans to construct a commercial hydrocarbon facility to produce alcohol-to-jet fuel (“ATJ”), our ability to raise additional funds to continue operations and/or expand the Luverne Facility, our ability to produce isobutanol, achievement of advances in our technology platform, the success of our retrofit production model, additional competition and changes in economic conditions and those risks described in documents we have filed with the U.S. Securities and Exchange Commission (the “SEC”), including this Report in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors,” our Annual Report on Form 10-K for the year ended December 31, 2017 (our “Annual Report”), and other reports that we have filed with the SEC. All forward-looking statements in this Report are qualified entirely by the cautionary statements included in this Report and such other filings. These risks and uncertainties could cause actual results to differ materially from results expressed or implied by forward-looking statements contained in this Report. These forward-looking statements speak only as of the date of this Report. We disclaim any undertaking to publicly update or revise any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Unless the context requires otherwise, in this Report the terms “we,” “us,” “our” and the “Company” refer to Gevo, Inc. and its subsidiaries.

The following discussion should be read in conjunction with our unaudited consolidated financial statements and the related notes and other financial information appearing elsewhere in this Report. Readers are also urged to carefully review and consider the various disclosures made by us which attempt to advise interested parties of the factors which affect our business, including, without limitation, the disclosures in our Annual Report.

## Company Overview

We are a renewable chemicals and next generation biofuels company, targeting what we believe to be very large potential markets: that of low carbon fuels and chemicals that can compete directly against petro-chemical products depending on the price of oil and value of carbon. Renewable fuels are one of the few markets where the value for renewable carbon has already been established, particularly in the U.S. We believe that the demand for low carbon fuels, chemicals, and plastics will continue and grow stronger over time. We believe that renewable carbon will eventually be valued in chemicals and plastics in addition to fuels.

The challenges to displace petrochemical products with renewable products are enormous: (i) the products need to meet or exceed the stringent performance requirements established by the incumbent products, (ii) the products need to be compatible with existing distribution infrastructure, (iii) the products must be economical in the market place, and (iv) in most cases, the products must have a lower carbon footprint and improve the “sustainability” of the business system. We believe we have viable technologies that produce products that address these challenges.

We have developed proprietary technology that uses a combination of synthetic biology, metabolic engineering, chemistry and chemical engineering to make isobutanol and hydrocarbon products from isobutanol that can displace petrochemical incumbent products. We have been able to genetically engineer yeast, whereby the yeast produces isobutanol from carbohydrates at costs that we believe to be commercially competitive once large production facilities are deployed that will enable economies of scale to be reached. We have shown that the isobutanol production process works in full scale fermenter systems at our production facility in Luverne, Minnesota (the “Luverne Facility”). We also have shown that our renewable isobutanol can be readily converted to hydrocarbon products that address large markets. Specifically, our renewable alcohol-to-jet fuel (“ATJ”) has been approved for use in commercial aviation and used multiple times for commercial flights. In addition, our renewable isobutanol is being used as a gasoline blendstock in the Houston area for on-road vehicles as an ethanol-free fuel option for consumers. Our renewable isooctane meets the performance and specification requirements for use in chemicals and fuels and is currently being used in the European Union. We believe that there is large potential to grow our business, through a combination of (i) directly producing and selling our renewable isobutanol and related hydrocarbon products, and (ii) licensing our technology.

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We believe that renewable isobutanol is a potentially valuable commercial product because of its versatility to address large markets either as a product directly or as a key intermediate for producing renewable carbon alternatives to mainstream fuels such as jet fuel, gasoline, plastics such as PET, and various other chemical products and materials. Isobutanol is a four-carbon alcohol that can be sold directly for use as a specialty chemical in the production of solvents, paints and coatings, or more importantly from a market size and performance value-added point of view, as a gasoline blendstock. Because isobutanol can be readily converted to hydrocarbon products such hydrocarbon fuels, including isooctane, isooctene and ATJ, lubricants, polyester, rubber, plastics, fibers and other polymers, we believe that the addressable markets are very large; potentially being able to ultimately reach 40% of the global petrochemicals markets depending on the price of oil and the value of renewable carbon.

## **NASDAQ Market Price Compliance**

On June 21, 2017, we received a deficiency letter from the Listing Qualifications Department of the Nasdaq Stock Market, notifying us that, for the prior 30 consecutive business days, the closing bid price of our common stock was not maintained at the minimum required closing bid price of at least \$1.00 per share as required for continued listing on the Nasdaq Capital Market. In accordance with Nasdaq Listing Rules, we had an initial compliance period of 180 calendar days, to regain compliance with this requirement. On December 20, 2017, the Nasdaq Stock Market granted us an additional 180 calendar days, or until June 18, 2018, to regain compliance. To regain compliance, the closing bid price of our common stock must be \$1.00 per share or more for a minimum of 10 consecutive business days at any time before June 18, 2018. The Nasdaq determination to grant the second compliance period was based on our meeting of the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on the Nasdaq Capital Market, with the exception of the bid price requirement, and our written notice of our intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary.

On April 12, 2018, we filed a definitive proxy statement in connection with our 2018 Annual Meeting of Stockholders (the "Annual Meeting") to be held on Wednesday, May 30, 2018. At the Annual Meeting, we are asking for stockholders to approve, among other thing, an amendment to our Amended and Restated Certificate of Incorporation to effect a reverse stock split of the outstanding shares of our common stock by a ratio of not less than one-for-two and not more than one-for-twenty at any time on or prior to June 5, 2018, with the exact ratio to be set at a whole number within this range by our Board of Directors in its sole discretion (the "Reverse Stock Split"). We believe that the Reverse Stock Split is necessary to maintain our listing on the NASDAQ Capital Market, and to provide us with resources and flexibility, with respect to raising capital, sufficient to execute our business plans and strategy, and improve the marketability and liquidity of our common stock. In addition, the delisting of our common stock from a national securities exchange would constitute a "fundamental change" under the indenture governing our 12% convertible senior secured notes due 2020 (the "2020 Notes"), which would give holders the right to require us to repurchase the 2020 Notes. The repurchase of the 2020 Notes as a result of a fundamental change would likely render us insolvent and result in some type of bankruptcy, insolvency, liquidation, or reorganization event for the Company.

## **Latest Highlights and Developments**

On April 3, 2018, we announced the appointment of Tim Cesarek to the newly created position of Executive Vice President and Chief Commercial Officer. Mr. Cesarek brings over 20 years of knowledge and experience in strategic and commercial transactions, with 15 years in the field of renewable resource based fuels and chemicals. In addition to overseeing our commercial development of our fuel and chemical products, Mr. Cesarek we expect to develop opportunities for the Company with strategic customers and partners.

On February 8, 2018, we strengthened our existing relationship with Musket Corporation, a national fuel distributor under the umbrella of the Love's Family of Companies, by amending our existing isobutanol supply agreement to provide Musket with the exclusive right to sell our renewable isobutanol within a 300 mile radius of Houston, Texas. This agreement establishes a market region that encompasses Austin, Dallas, Fort Worth, Oklahoma, Louisiana, as well as the majority of South and East Texas.

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***Market Development, Sales and Production Strategy for 2018***

In 2018, we intend to continue to develop the markets for our isobutanol, jet fuel, isooctane, and other products made from isobutanol and ethanol. Ultimately, our primary target is to enter into binding supply contracts for isobutanol and related hydrocarbon products that represent the majority of the production volumes to be produced at the expanded Luverne Facility that we plan to construct (the “Luverne Facility Expansion”). The focus for market development continues to be:

Isobutanol for the ethanol free gasoline market, primarily in Reformulated Gasoline or RFG areas. We plan to increase our distribution network, and add additional regions, broadening our distribution footprint. We intend to use isobutanol in our inventory in part to develop these sales.

Isooctane for gasoline and chemicals are expected to continue to be a priority. We expect the vast majority of sales to ship to the European Union. We expect that the demand for this product will continue to grow, and we may expand or modify the hydrocarbon demonstration plant at South Hampton Resources in Silsbee, Texas to increase capacity for isooctane. We intend to use renewable isobutanol in our inventory for the feedstock for this product. We expect to continue to work on securing a set of offtake contracts that would support the Luverne Facility Expansion.

We plan to sell ATJ for market development purposes and demonstrations. In certain niche markets, we may begin commercial sales, depending on price and volumes that can be supported from the hydrocarbon demonstration plant at South Hampton Resources in Silsbee, Texas. We expect to continue to work on securing a set of offtake contracts that would support the Luverne Facility Expansion.

In 2018, we expect to sell approximately 19 million gallons or more of ethanol, and approximately 56 thousand tons of its animal feed product. As previously announced, in 2018, we expect to improve the cash flow out of the Luverne Facility by optimizing the ethanol production processes, developing value added products for ethanol, animal feed, and corn oil produced at the Luverne Facility plant and further reducing the cost of the Luverne Facility’s carbohydrates.

We expect to use our inventory of isobutanol to meet our market development needs in 2018. In 2017, we increased our on-hand inventory of isobutanol. During the production runs at the Luverne Facility in 2017, we also met our variable cost production targets for isobutanol. As previously disclosed, running isobutanol at a scale of 1.5 MGPY, the current capacity of the Luverne Facility, increases cash burn because not all of the fixed costs are covered given the relatively low run rate. We are prepared to ramp-up isobutanol production in response to positive demand and price appreciation. We continue to be focused on developing markets and generating cash using the current inventory. We expect to sell isobutanol into the gasoline blendstock market, as well as selling isooctane, jet fuel and other products made from inventoried isobutanol.

***Path to Profitability***

We believe that there are two paths by which we can become profitable. First, together with the initiatives to improve the cash flow profile of our business in 2018 compared to 2017, we believe that by optimizing the Luverne Facility's ethanol production processes, developing value added products for ethanol and animal feed produced at the plant and further reducing the cost of the plant's carbohydrate feedstock, we could become profitable in the near future, independent of isobutanol production.

Second, we believe that we could become profitable if we are able to obtain binding offtake agreements for our isobutanol and related hydrocarbon products that justify the Luverne Facility Expansion, along with adequate financing for such expansion, whereby we would convert the Luverne Facility primarily to the production of isobutanol at scale, with some percentage of such isobutanol volumes to be further processed into hydrocarbons such as ATJ and isooctane.

***Luverne Facility Update***

In 2018, as previously announced, we expect to undertake initiatives to improve the profitability of the Luverne Facility.

We currently have five fermentation vessels at our Luverne Facility. Three fermentation vessels are made from carbon steel. Two fermentation vessels are newer and made from stainless steel. The two stainless steel fermentation vessels and one of the three carbon steel fermentation vessels are expected to be used for ethanol production during 2018. The remaining two carbon steel fermentation vessels are not expected to be needed for production in 2018. If we were to run isobutanol production in side by side mode of operation with ethanol production, we would need one of the two other carbon steel fermentation vessels to be put back into operation, along with the other three fermentation vessels that we plan to use for ethanol production during 2018.

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During 2017, we hired a third-party engineering firm to test the structural integrity of the carbon steel fermentation vessels. The results of the testing indicate that one of these fermentation vessels has at least one more year of life before needing repair, and the other one has approximately two months of life remaining. If we were to start up and run isobutanol for an extended period of time, at least one of these carbon steel fermentation vessels would need to be repaired prior to being put back into service. Repair costs are estimated to be approximately \$250,000 per fermentation vessel.

Ultimately, we anticipate that as we build out, or expand the Luverne Facility to increase capacity, we might repair both carbon steel fermentation vessels, and/or install additional fermentation vessels depending on the need for capacity for isobutanol and/or ethanol at that time.

### ***Debt Maturities and Exchanges***

In January 2018, we entered into a private exchange agreement with a holder of our 2022 Notes to exchange the remaining \$0.5 million of outstanding principal amount of the 2022 Notes for 780,303 shares of our common stock. Upon completion of this exchange, the 2022 Notes were satisfied in their entirety and there are no remaining obligations under the 2022 Notes.

### ***Financial Condition***

For the three months ended March 31, 2018 and 2017, we incurred a consolidated net loss of \$2.5 million and \$5.9 million, respectively, and had an accumulated deficit of \$403.9 million at March 31, 2018. Our cash and cash equivalents at March 31, 2018 totaled \$7.0 million which is primarily being used for the following: (i) operating activities of our Luverne Facility; (ii) operating activities at our corporate headquarters in Colorado, including research and development work; (iii) capital improvements primarily associated with the Luverne Facility; (iv) costs associated with optimizing isobutanol production technology; and (v) debt service obligations.

The continued operation of our business is dependent upon raising additional capital through future public and private equity offerings, debt financings or through other alternative financing arrangements. In addition, successful completion of our research and development programs and the attainment of profitable operations are dependent upon future events, including our ability to raise sufficient capital to expand our commercial production facility, completion of our development activities resulting in sales of isobutanol or isobutanol-derived products and/or technology,

achieving market acceptance and demand for our products and services and attracting and retaining qualified personnel.

We expect to incur future net losses as we continue to fund the development and commercialization of our products and product candidates. We have primarily relied on raising capital to fund our operations and debt service obligations by issuing common stock and warrants in underwritten public offerings. Those issuances have caused significant dilution to our existing stockholders. While we have sought, and will continue to seek, other, less dilutive forms of financing to fund our operations and debt service obligations, there is no assurance that we will be successful in doing so.

Based on our current operating plan, existing working capital at December 31, 2017 was not sufficient to meet the cash requirements to fund planned operations through the period that is one year after the date our 2017 financial statements were issued unless we are able to raise additional capital to fund operations. Our audited financial statements for the year ended December 31, 2017, were prepared under the assumption that we would continue our operations as a going concern. Our independent registered public accounting firm for the year ended December 31, 2017 included a “going concern” emphasis of matter paragraph in its report on our financial statements as of, and for the year ended, December 31, 2017. These conditions raise substantial doubt about our ability to continue as a going concern. Our inability to continue as a going concern may potentially affect our rights and obligations under our debt obligations.

Our transition to profitability is dependent upon, among other things, the successful development and commercialization of our products and product candidates, the achievement of a level of revenues adequate to support our cost structure and securing sufficient financing for the build-out and Retrofit of the Luverne Facility or a facility at another suitable location. We may never achieve profitability or generate positive cash flows, and unless and until we do, we will continue to need to raise additional cash. We intend to fund future operations through additional private and/or public offerings of debt or equity securities. In addition, we may seek additional capital through arrangements with strategic partners or from other sources, may seek to restructure our debt and we will continue to address our cost structure. Notwithstanding, there can be no assurance that we will be able to raise additional funds, or achieve or sustain profitability or positive cash flows from operations.

Table of Contents**Results of Operations***Comparison of the Three Months Ended March 31, 2018 and 2017*

| <i>(in thousands)</i>  | <b>Three Months<br/>Ended March 31,</b> |                |               |
|--|---|----------------|---------------|
|  | <b>2018</b>                             | <b>2017</b>    | <b>Change</b> |
| <b>Revenue and cost of goods sold</b>                            |   |                |               |
| Ethanol sales and related products, net                          | \$8,218                                 | \$5,494        | \$2,724       |
| Hydrocarbon revenue  | -                                       | 90             | (90 )         |
| Grant and other revenue  | 25                                      | 32             | (7 )          |
| Total revenues   | 8,243                                   | 5,616          | 2,627         |
| <br>Cost of goods sold   | <br>10,583                              | <br>9,408      | <br>1,175     |
| <br>Gross loss   | <br>(2,340 )                            | <br>(3,792 )   | <br>1,452     |
| <b>Operating expenses</b>  |   |                |               |
| Research and development expense                                 | 789                                     | 1,217          | (428 )        |
| Selling, general and administrative expense                      | 1,870                                   | 2,173          | (303 )        |
| Total operating expenses   | 2,659                                   | 3,390          | (731 )        |
| <br>Loss from operations   | <br>(4,999 )                            | <br>(7,182 )   | <br>2,183     |
| <b>Other (expense) income</b>                                    |   |                |               |
| Interest expense   | (825 )                                  | (713 )         | (112 )        |
| (Loss) on exchange of debt                                       | (21 )                                   | (964 )         | 943           |
| (Loss) from change in fair value of the 2017 Notes               | -                                       | (339 )         | 339           |
| Gain from change in fair value of derivative warrant liability   | 477                                     | 3,258          | (2,781 )      |
| Gain from change in fair value of 2020 Notes embedded derivative | 2,858                                   | -              | 2,858         |
| Other income   | 8                                       | 6              | 2             |
| Total other expense, net   | 2,497                                   | 1,248          | 1,249         |
| <br>Net loss   | <br>\$(2,502 )                          | <br>\$(5,934 ) | <br>\$3,432   |

*Revenues.* Revenue associated with the sale of ethanol, as well as isobutanol and related products for the three months ended March 31, 2018 was \$8.2 million, an increase of \$2.7 million from the three months ended March 31, 2017. This increase was primarily a result of increased ethanol and distiller grain sales. During the three months ended March 31, 2018, we sold 4.9 million gallons of ethanol compared to 3.3 million gallons of ethanol sold in the three months ended March 31, 2017. Hydrocarbon revenue decreased less than \$0.1 million during the three months ended March 31, 2018 as a result of lower shipments of finished products from our demonstration plant located at the South Hampton Resources, Inc. facility near Houston, Texas (the “South Hampton Facility”). Hydrocarbon revenues are comprised of ATJ, isooctane and isooctene sales. Grant and other revenue was less than \$0.1 million during the three

months ended March 31, 2018, approximately the same as the comparable period in 2017.

*Cost of goods sold.* Cost of goods sold was \$10.6 million during the three months ended March 31, 2018, compared with \$9.4 million during the three months ended March 31, 2017. Cost of goods sold included approximately \$9.0 million associated with the increased production of ethanol and related products and approximately \$1.6 million in depreciation expense.

*Research and development expense.* Research and development expense decreased by approximately \$0.4 million during the three months ended March 31, 2018, compared with the three months ended March 31, 2017, due primarily to a decrease in employee related expenses.

*Selling, general and administrative expense.* Selling, general and administrative expense decreased by approximately \$0.3 million during the three months ended March 31, 2018, compared with the three months ended March 31, 2017, due primarily to a decrease in employee related expenses.

*Interest expense.* Interest expense in the three months ended March 31, 2018 was \$0.8 million, an increase of \$0.1 million compared to the three months ended March 31, 2017, due to an increase in the interest rate on our outstanding debt obligations as a result of the June 20, 2017 exchange of the 2017 Senior Secured Notes for the 2020 Senior Secured Notes. .

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*(Loss)/Gain from change in fair value of derivative warrant liability.* During the three months ended March 31, 2018 we incurred a \$0.5 million non-cash gain on changes in the fair value of the derivative warrant liability, primarily due to the decrease in the price of our common stock.

*(Loss) from change in fair value of the 2020 Notes embedded derivative.* During the three months ended March 31, 2018, the estimated fair value of the 2020 Notes embedded derivative liability decreased, resulting in a non-cash gain of \$2.9 million primarily due to the decrease in the price of our common stock.

**Revenues, Cost of Goods Sold and Operating Expenses**

***Revenues***

During the three months ended March 31, 2018 and 2017, we generated revenue from: (i) the sale of ethanol, isobutanol and related products; (ii) hydrocarbon sales consisting primarily of the sale of ATJ fuel, isooctane and isooctene derived from our isobutanol for purposes of certification and testing; and (iii) government grants and research and development programs.

***Cost of Goods Sold and Gross Loss***

Cost of goods sold during the three months ended March 31, 2018 and 2017 primarily includes costs directly associated with isobutanol production and ethanol production at the Luverne Facility, such as costs for direct materials, direct labor, depreciation, other operating costs and certain plant overhead costs. Direct materials include corn feedstock, denaturant and process chemicals. Direct labor includes compensation of personnel directly involved in production operations at the Luverne Facility. Other operating costs include utilities and natural gas usage.

Our gross loss is defined as our total revenue less our cost of goods sold.

### ***Research and Development***

Our research and development costs consist of expenses incurred to identify, develop and test our technologies for the production of isobutanol and the development of downstream applications thereof. Research and development expenses include personnel costs (including stock-based compensation), consultants and related contract research, facility costs, supplies, depreciation and amortization expense on property, plant and equipment used in product development, license fees paid to third parties for use of their intellectual property and patent rights and other overhead expenses incurred to support our research and development programs. Research and development expenses also include upfront fees and milestone payments made under licensing agreements and payments for sponsored research and university research gifts to support research at academic institutions.

### ***Selling, General and Administrative***

Selling, general and administrative expenses consist of personnel costs (including stock-based compensation), consulting and service provider expenses (including patent counsel-related costs), legal fees, marketing costs, corporate insurance costs, occupancy-related costs, depreciation and amortization expenses on property, plant and equipment not used in our product development programs or recorded in cost of goods sold, travel and relocation and hiring expenses.

We also record selling, general and administrative expenses for the operations of the Luverne Facility that include administrative and oversight expenses, certain personnel-related expenses, insurance and other operating expenses.

### **Liquidity and Capital Resources**

Our independent auditor included “going-concern” language in our audited financial statements for the year-ended December 31, 2017. For more information, see “—Financial Condition.”

Since our inception in 2005, we have devoted most of our cash resources to manufacturing, research and development, defense of intellectual property and selling, general and administrative activities related to the commercialization of isobutanol, as well as related products from renewable feedstocks. We have incurred losses since inception and expect to incur losses through at least the remainder of 2018 and likely beyond. To date, we have financed our operations primarily with proceeds from multiple sales of equity and debt securities, borrowings under debt facilities and product sales.



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The continued operation of our business, including the Luverne Facility Expansion, is dependent upon raising additional capital through future public and private equity offerings, debt financings or through other alternative financing arrangements. In addition, successful completion of our research and development programs and the attainment of profitable operations are dependent upon future events, including access to sufficient capital, repayment of our current debt, completion of our development activities resulting in sales of isobutanol or isobutanol-derived products and/or technology, achieving market acceptance and demand for our products and services and attracting and retaining qualified personnel. Such additional capital may not be available to us on acceptable terms or at all.

As of March 31, 2018, we had an accumulated deficit of \$403.9 million with cash and cash equivalents totaling \$7.0 million.

The following table sets forth the major sources and uses of cash for each of the periods set forth below (in thousands):

|   | <b>Three Months<br/>Ended March<br/>31,</b> |             |
|---|---|-------------|
|   | <b>2018</b>                                 | <b>2017</b> |
| Net cash used in operating activities               | \$(4,350)                                   | \$(8,047)   |
| Net cash used in investing activities               | \$(67 )                                     | \$(673 )    |
| Net cash provided by/(used in) financing activities | \$(107 )                                    | \$1,225     |

***Operating Activities***

Our primary uses of cash from operating activities are personnel-related expenses, research and development-related expenses, which include costs incurred under development agreements; costs and expenses for the production of isobutanol, ethanol and related products; logistics costs; costs associated with further processing of isobutanol and costs associated with the operation of the South Hampton Facility and debt service payments.

During the three months ended March 31, 2018, we used \$4.5 million in cash from operating activities primarily resulting from a net loss of \$2.5 million, a \$0.7 million increase in working capital items, and approximately \$1.3 million in non-cash operating activities.

### ***Investing Activities***

During the three months ended March 31, 2018, we used \$0.1 million in cash from investing activities related primarily to capital expenditures at our Luverne Facility.

### ***Financing Activities***

During the three months ended March 31, 2018, we used approximately \$0.1 million associated with financing activities, primarily from the \$0.1 million raised as part of our “at-the-market” public offering, offset by approximately \$0.2 million in offering costs related to such offering.

*At-the-Market Offering Program.* In February 2018, we commenced an at-the-market offering program, which allows us to sell and issue up to \$5.0 million of shares of our common stock. In the first quarter of 2018, we issued 104,138 shares of common stock under the at-the-market offering for gross proceeds of \$0.1 million. We paid commissions to our sales agent of approximately \$1,000 and incurred other offering related expenses of \$0.2 million, the majority of which were one-time expenses associated with the establishment of the "At-the-Market Offering Program". We have remaining capacity to issue up to approximately \$4.9 million of additional shares of common stock under the at-the-market offering program. Net proceeds will be used for general corporate purposes.

### ***2020 Notes***

On April 19, 2017, we entered into an Exchange and Purchase Agreement (the “Purchase Agreement”) with WB Gevo, LTD, the holder of the 2017 Notes (the “Holder”), , and Whitebox Advisors LLC, in its capacity as representative of the Holder (“Whitebox”). Pursuant to the terms of the Purchase Agreement, the Holder, subject to certain conditions, including approval of the transaction by our stockholders (which was received on June 15, 2017), agreed to exchange all of the outstanding principal amount of the 2017 Notes for an equal principal amount of our newly created 2020 Notes, plus an amount in cash equal to the accrued and unpaid interest (other than interest paid in kind) on the 2017 Notes (the “Exchange”). On June 20, 2017, we completed the Exchange, terminated the 2017 Notes Indenture and cancelled the 2017 Notes. As of March 31, 2018 and December 31, 2017, the outstanding principal on the 2020 Notes was \$16.7 million and \$16.7 million, including paid-in-kind interest, respectively.



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The 2020 Notes will mature on March 15, 2020. The 2020 Notes bear interest at a rate equal to 12% per annum (with 2% potentially payable as PIK Interest (as defined and described below) at our option), payable on March 31, June 30, September 30, and December 31 of each year. Under certain circumstances, we have the option to pay a portion of the interest due on the 2020 Notes by either (a) increasing the principal amount of the 2020 Notes by the amount of interest then due or (b) issuing additional 2020 Notes with a principal amount equal to the amount of interest then due (interest paid in the manner set forth in (a) or (b) being referred to as “PIK Interest”).

The 2020 Notes are convertible into shares of our common stock, subject to certain terms and conditions. The initial conversion price of the 2020 Notes is equal to \$0.7359 per share of common stock, or 1.3589 shares of common stock per \$1 principal amount of 2020 Notes (the “Conversion Price”). In addition, upon certain equity financing transactions by us, the Holders will have a one-time right to reset the Conversion Price (the “Reset Provision”) (i) in the first ninety (90) days following the Exchange Date, at a 25% premium to the common stock price in the equity financing and (ii) after ninety (90) and to and including one hundred eighty (180) days following the closing of the Exchange, at a 35% premium to the common stock share price in the equity financing. Following an exercise of the Reset Provision, the Holders will also have a right to consent to certain equity financings by us during the one hundred eighty (180) days following the closing of the Exchange.

See Note 7, *Debt*, to our consolidated financial statements included herein for further discussion of the 2020 Notes.

## **2022 Notes**

In July 2012, we sold \$45.0 million in aggregate principal amount of 2022 Notes, for net proceeds of \$40.9 million, after accounting for \$2.7 million and \$1.4 million of cash discounts and issue costs, respectively. The 2022 Notes bear interest at 7.5% per annum, which is to be paid semi-annually in arrears on January 1 and July 1 of each year commencing on January 1, 2013. In January 2018, we entered into a private exchange agreement with a holder of the 2022 Notes to exchange the remaining \$0.5 million of outstanding principal amount of the 2022 Notes for 780,303 shares of common stock. Upon completion of this exchange, the 2022 Notes were satisfied in their entirety and there are no remaining obligations under the 2022 Notes.

## **Critical Accounting Policies and Estimates**

Except for the adoption of ASC 606 “*Revenues from Contracts with Customers*” (see Note 3 for the updated revenue recognition policy in accordance with ASU 2014-09), there have been no significant changes to our critical accounting policies since December 31, 2017. However, see Note 1, *Nature of Business, Financial Condition and Basis of Presentation*, to our consolidated financial statements included herein for a discussion of recently issued accounting pronouncements and their impact or future potential impact on our financial results, if determinable. For a description of critical accounting policies that affect our significant judgments and estimates used in the preparation of our consolidated financial statements, refer to our Annual Report.

### Contractual Obligations and Commitments

The following summarizes the future commitments arising from our contractual obligations at March 31, 2018 (in thousands).

|                               | Less<br>than 1<br>year | 1 - 3<br>years | 4 - 5<br>years | 5+<br>Years | Total    |
|-------------------------------|------------------------|----------------|----------------|-------------|----------|
| Principal debt payments (1)   | \$-                    | \$17,408       | \$ -           | \$ -        | \$17,408 |
| Interest payments on debt (2) | 2,103                  | 1,653          | -              | -           | 3,756    |
| Operating leases (3)          | 1,459                  | 1,116          | 110            | -           | 2,685    |
| Insurance & Maintenance       | 111                    | -              | -              | -           | 111      |
| Total                         | \$3,673                | \$20,177       | \$ 110         |             | \$23,960 |

(1) Represents cash principal payments due to the holders of the 2020 Notes.

(2) Represents interest payments due to the holders of the 2020 Notes.

(3) Represents commitments for operating leases related to our leased facility in Englewood, Colorado and our lease for rail cars in Luverne, Minnesota for ethanol and isobutanol shipments.

The table above reflects only payment obligations that are fixed and determinable as of March 31, 2018.

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**Off-Balance Sheet Arrangements**

As of March 31, 2018, we did not have any material off-balance sheet arrangements, except for operating lease obligations disclosed in our commitment and contingencies table above.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There was no material change in our market risk exposure during the three months ended March 31, 2018. For a discussion of our market risk associated with commodity prices, equity prices and interest rates, see “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A of our Annual Report.

**Item 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosures.

Management, including the participation of our Chief Executive Officer and our Principal Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2018. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable but not absolute assurance that the objectives of the disclosure controls and procedures are met. The design of any disclosure control and procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will

succeed in achieving its stated goals under all potential future conditions.

### **Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings.**

From time to time, we have been and may again become involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any litigation that we believe to be material and we are not aware of any pending or threatened litigation against us that we believe could have a material adverse effect on our business, operating results, financial condition or cash flows.

**Item 1A. Risk Factors.**

You should carefully consider the risk factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report and the risk factors set forth below, which could materially affect our business, financial condition, cash flows or future results. Except as set forth below, there have been no material changes in our risk factors included in our Annual Report. The risk factors described herein and in our Annual Report are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

**Risks Relating to owning Our Securities**

*We may not be able to comply with all applicable listing requirements or standards of the Nasdaq Capital Market and Nasdaq could delist our common stock.*

Our common stock is listed on the Nasdaq Capital Market. In order to maintain that listing, we must satisfy minimum financial and other continued listing requirements and standards.

On June 21, 2017, we received a deficiency letter from the Listing Qualifications Department of the Nasdaq Stock Market, notifying us that, for the prior 30 consecutive business days, the closing bid price of our common stock was not maintained at the minimum required closing bid price of at least \$1.00 per share as required for continued listing on the Nasdaq Capital Market. In accordance with Nasdaq Listing Rules, we had an initial compliance period of 180 calendar days, to regain compliance with this requirement. On December 20, 2017, the Nasdaq Stock Market granted us an additional 180 calendar days, or until June 18, 2018, to regain compliance. To regain compliance, the closing bid price of our common stock must be \$1.00 per share or more for a minimum of 10 consecutive business days at any time before June 18, 2018. The Nasdaq determination to grant the second compliance period was based on our meeting of the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on the Nasdaq Capital Market, with the exception of the bid price requirement, and our written notice of our intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary.

We cannot provide any assurance that our stock price will recover within the permitted grace period. In the event that our common stock is not eligible for quotation on another market or exchange, trading of our common stock could be conducted in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it could become more difficult to dispose of, or obtain accurate price quotations for, our common stock, and there would likely be a reduction in our coverage by security analysts and the news media, which could cause the price of our common stock to decline further. In addition, it may be difficult for us to raise additional capital if we are not listed on a major exchange.

On April 12, 2018, we filed a definitive proxy statement in connection with our 2018 Annual Meeting of Stockholders (the “Annual Meeting”) to be held on Wednesday, May 30, 2018. At the Annual Meeting, we are asking for stockholders to approve, among other things, a reverse stock split of our common stock by a ratio of not less than one-for-two and not more than one-for-twenty, with the exact ratio to be set by our Board of Directors (the “Reverse Stock Split”).

The Reverse Stock Split is necessary to maintain our listing on the NASDAQ Capital Market, and to provide us with resources and flexibility, with respect to raising capital, sufficient to execute our business plans and strategy, and improve the marketability and liquidity of our common stock. In addition, the delisting of our common stock from a national securities exchange would constitute a “fundamental change” under the indenture governing our 2020 Notes, which would give holders the right to require us to repurchase the 2020 Notes. The repurchase of the 2020 Notes as a result of a fundamental change would likely render us insolvent and result in some type of bankruptcy, insolvency, liquidation, or reorganization event for the Company.

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**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not Applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

The exhibits listed below are filed or furnished as part of this report.

| Exhibit<br>Number | Description  | Previously Filed |            |                  | Included<br>Herewith |
|-------------------|--|------------------|------------|------------------|----------------------|
|                   |  | Form             | File No.   | Filing Date      |                      |
| 3.1               | <u>Amended and Restated Certificate of Incorporation of Gevo, Inc.</u>   | 10-K             | 001-35073  | March 29, 2011   | 3.1                  |
| 3.2               | <u>Certificate of Amendment to Amended and Restated Certificate of Incorporation of Gevo, Inc.</u>   | 8-K              | 001-35073  | June 10, 2013    | 3.1                  |
| 3.3               | <u>Certificate of Amendment to Amended and Restated Certificate of Incorporation of Gevo, Inc.</u>   | 8-K              | 001-35073  | July 9, 2014     | 3.1                  |
| 3.4               | <u>Certificate of Amendment to Amended and Restated Certificate of Incorporation of Gevo, Inc.</u>   | 8-K              | 001-35073  | April 22, 2015   | 3.1                  |
| 3.5               | <u>Certificate of Amendment to Amended and Restated Certificate of Incorporation of Gevo, Inc.</u>   | 8-K              | 001-35073  | January 6, 2017  | 3.1                  |
| 3.6               | <u>Amended and Restated Bylaws of Gevo, Inc.</u>   | 10-K             | 001-35073  | March 29, 2011   | 3.2                  |
| 4.1               | <u>Form of the Gevo, Inc. Common Stock Certificate.</u>  | S-1              | 333-168792 | January 19, 2011 | 4.1                  |
| 4.2               | <u>Fifth Amended and Restated Investors' Rights Agreement, dated March 26, 2010.</u>   | S-1              | 333-168792 | August 12, 2010  | 4.2                  |
| 4.3 <sup>†</sup>  | <u>Stock Issuance and Stockholder's Rights Agreement, dated July 12, 2005, by and between Gevo, Inc. and California Institute of Technology.</u> | S-1              | 333-168792 | August 12, 2010  | 4.3                  |



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| Exhibit<br>Number | Description   | Previously Filed |            |                   | Included<br>Herewith |
|-------------------|---|------------------|------------|-------------------|----------------------|
|                   |   | Form             | File No.   | Filing Date       |                      |
| 4.4               | <u>Amended and Restated Warrant to purchase shares of Common Stock, issued to CDP Gevo, LLC, dated September 22, 2010.</u>  | S-1              | 333-168792 | October 1, 2010   | 4.4                  |
| 4.5               | <u>Plain English Warrant Agreement No. 0647-W-01, dated August 5, 2010, by and between Gevo, Inc. and TriplePoint Capital LLC.</u>  | S-1              | 333-168792 | October 1, 2010   | 4.11                 |
| 4.6               | <u>Plain English Warrant Agreement No. 0647-W-02, dated August 5, 2010, by and between Gevo, Inc. and TriplePoint Capital LLC.</u>  | S-1              | 333-168792 | October 1, 2010   | 4.12                 |
| 4.7               | <u>Plain English Warrant Agreement, No. 0647-W- 03, dated October 20, 2011, by and between Gevo, Inc. and TriplePoint Capital LLC.</u>  | 8-K              | 001-35073  | October 26, 2011  | 10.7                 |
| 4.8               | <u>First Amendment to Plain English Warrant Agreement, relating to Warrant Number 0647-W- 01, dated December 11, 2013, by and between Gevo, Inc. and TriplePoint Capital LLC.</u> | 8-K              | 001-35073  | December 12, 2013 | 4.1                  |
| 4.9               | <u>First Amendment to Plain English Warrant Agreement, relating to Warrant Number 0647-W-02, dated December 11, 2013, by and between Gevo, Inc. and TriplePoint Capital LLC.</u>  | 8-K              | 001-35073  | December 12, 2013 | 4.2                  |

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|      |  |      |           |                      |     |
|------|--|------|-----------|----------------------|-----|
| 4.10 | <u>First Amendment to Plain English Warrant Agreement, relating to Warrant Number 0647-W-03, dated December 11, 2013, by and between Gevo, Inc. and TriplePoint Capital LLC.</u> | 8-K  | 001-35073 | December 12,<br>2013 | 4.3 |
| 4.11 | <u>Common Stock Warrant, issued to Genesis Select Corporation, dated June 6, 2013.</u>   | 10-Q | 001-35073 | August 14, 2013      | 4.9 |
| 4.12 | <u>Common Stock Unit Warrant Agreement, dated December 16, 2013, by and between Gevo, Inc. and the American Stock Transfer &amp; Trust Company, LLC.</u>                         | 8-K  | 001-35073 | December 16,<br>2013 | 4.1 |

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| Exhibit<br>Number | Description  | Previously Filed |           |                  | Included<br>Herewith |
|-------------------|--|------------------|-----------|------------------|----------------------|
|                   |  | Form             | File No.  | Filing<br>Date   |                      |
| 4.13              | <u>Exchange and Purchase Agreement, dated April 19, 2017, by and among Gevo, Inc., the guarantors party thereto, the holders named in Schedule I thereto, and Whitebox Advisors LLC, in its capacity as representative of the holders.</u> | 8-K              | 001-35037 | April 20, 2017   | 4.1                  |
| 4.14              | <u>Indenture, dated June 20, 2017, by and among Gevo, Inc., the guarantors party thereto, and Wilmington Savings Fund Society, FSB, as trustee and collateral trustee.</u>   | 8-K              | 001-35037 | June 20, 2017    | 4.1                  |
| 4.15              | <u>Registration Rights Agreement, dated June 20, 2017, by and among Gevo, Inc. and the investors named therein.</u>  | 8-K              | 001-35037 | June 20, 2017    | 4.2                  |
| 4.16              | <u>Common Stock Unit Warrant Agreement, dated August 5, 2014, by and between Gevo, Inc. and the American Stock Transfer &amp; Trust Company, LLC.</u>  | 8-K              | 001-35073 | August 6, 2014   | 4.1                  |
| 4.17              | <u>2015 Common Stock Unit Series A Warrant Agreement, dated February 3, 2015, by and between Gevo, Inc. and the American Stock Transfer &amp; Trust Company, LLC.</u>  | 8-K              | 001-35073 | February 4, 2015 | 4.1                  |
| 4.18              | <u>2015 Common Stock Unit Series C Warrant Agreement, dated May 19, 2015 by and between Gevo, Inc. and the American Stock Transfer &amp; Trust</u>   | 8-K              | 001-35073 | May 20, 2015     | 4.1                  |

Company LLC.

|      |   |     |           |                      |     |
|------|---|-----|-----------|----------------------|-----|
| 4.19 | <u>Form of Series D Warrant to Purchase<br/>Common Stock.</u> | 8-K | 001-35037 | December<br>15, 2015 | 4.1 |
| 4.20 | <u>Form of Amendment No. 1 to Series D<br/>Warrant</u>        | 8-K | 001-35037 | June 13,<br>2016     | 4.1 |

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| Exhibit<br>Number | Description  | Previously Filed |           |                       | Exhibit | Included<br>Herewith |
|-------------------|--|------------------|-----------|-----------------------|---------|----------------------|
|                   |  | Form             | File No.  | Filing<br>Date        |         |                      |
| 4.21              | <u>Form of Series F Warrant to Purchase Common Stock.</u>  | 8-K              | 001-35037 | April 5,<br>2016      | 4.1     |                      |
| 4.22              | <u>Form of Series I Warrant to Purchase Common Stock</u>   | 8-K              | 001-35037 | September<br>15, 2016 | 4.1     |                      |
| 4.23              | <u>Form of Series K Warrant to Purchase Common Stock</u>   | 8-K              | 001-35037 | February<br>22, 2017  | 4.1     |                      |
| 10.1              | <u>Separation Agreement, dated January 2, 2018, by and between Gevo, Inc. and Mike Willis.</u>   | 8-K              | 001-35037 | January 3,<br>2018    | 10.1    |                      |
| 10.2              | <u>Offer Letter, dated January 5, 2018, by and between Gevo, Inc. and Bradford K. Towne.</u>   | 8-K              | 001-35037 | January<br>10, 2018   | 10.1    |                      |
| 10.3              | <u>At-The-Market Offering Agreement, dated February 13, 2018, between Gevo, Inc. and H.C. Wainwright &amp; Co., LLC</u>                | 8-K              | 001-35037 | February<br>13, 2018  | 1.1     |                      |
| 10.4†             | <u>Ethanol and Isobutanol Purchase and Marketing Agreement, dated February 16, 2018, between Eco-Energy, LLC and Agri-Energy, LLC.</u> | 8-K              | 001-35037 | February<br>22, 2018  | 10.1    |                      |
| 31.1              | <u>Section 302 Certification of the Principal Executive Officer.</u>   |                  |           |                       |         | X                    |
| 31.2              | <u>Section 302 Certification of the Principal Financial Officer.</u>   |                  |           |                       |         | X                    |
| 32.1              | <u>Section 906 Certification of the Principal Executive Officer and Principal Financial Officer.**</u>                                 |                  |           |                       |         | X                    |
| 101               | Financial statements from the Quarterly Report on Form 10-Q of Gevo, Inc. for  |                  |           |                       |         | X                    |

the quarterly period ended March 31, 2018, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, and (iv) Notes to the Consolidated Financial Statements.

Certain portions have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the SEC.

\*\*Furnished herewith

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Gevo, Inc.**

**(REGISTRANT)**

By: /s/ Bradford K. Towne

**Bradford K. Towne**

*Chief Accounting Officer*

*(Principal Financial and Accounting Officer)*

Date: May 10, 2018